Department of Revenue

Strategic Business Plan

July 2006 - June 2011

Department of
Revenue
Washington State

Introduction

The Department of Revenue's FY07 – FY11 Strategic Business Plan is the result of an intense planning process that incorporated ideas, feedback, and input from employees, stakeholders and customers. This Plan communicates the Department priorities, provides strategic direction, establishes a framework for Department decisions and gives context to ongoing efforts.

Through planning, Department management reassesses and establishes priorities to meet current and future business needs, align with the Governor's priorities, support the expected results outlined in the Priorities of Government categories, and enhance services and operations.

Priorities that are embedded throughout the plan and are reflected in the Department's new vision, goals and strategies, is the desire to be transparent and accountable in our work and be open and accessible to customers and stakeholders. The Department believes that by establishing partnerships, providing opportunities for customer feedback, and ensuring stakeholder dialogue, better services and results will be achieved. Through this external focus, the Department also strives to meet or exceed customer expectations on what services are offered and how they are delivered. As a result, the Department's new vision is: "To create an open and collaborative environment that responds to the changing needs of taxpayers, achieves the highest level of voluntary compliance, and maximizes service delivery."

Another priority reflected in the Department mission, goals, and strategies is the need for the Department to take a more vigorous role in providing tax information. More emphasis will be placed on providing information that considers the changing business environment. By taking a more proactive approach in this arena, the Department will be able to help prepare the State for the future including being more competitive on a global scale. This priority is reflected in the Department mission: "To fairly and efficiently collect revenues and administer programs to fund public services, and advocate sound tax policy," and the goal: "Provide tax information and analysis that is forward-looking and responds to the changing business environment."

In addition to articulating priorities and strategic direction, the Strategic Business Plan also sets forth the operational plan for the next five years. This is accomplished through the inclusion and prioritization of initiatives identified as important for making progress towards attaining Department strategies and goals. At the same time, by identifying many of the Department's ongoing activities, the plan helps provide focus on our core mission and ultimate vision while staying committed to Department values.

By establishing the framework for conducting business over the next five years, the strategic business planning process and resulting Plan enables the Department to obtain commitment, channel resources and energy, stay flexible and adapt quickly, retain balance and stability, and puts forth how we expect to do business to meet the customer demands and expectations.

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Vision, Mission, Goals and Values

"Working Together To Fund Washington's Future"

Our Vision

To create an open and collaborative environment that responds to the changing needs of taxpayers, achieves the highest levels of voluntary compliance, and maximizes service delivery.

Our Mission

To fairly and efficiently collect revenues and administer programs to fund public services, and advocate sound tax policy.

Our Goals

- Make conducting business with the Department as clear and simple as possible
- Recruit, develop, retain, and value a high quality, diverse workforce
- Seek efficiency, improvement, innovation, and accountability in Department programs
- Build and strengthen open and collaborative relationships with each other and our customers
- Promote correct and timely reporting and payment of taxes
- Promote fairness and consistency in the development and application of tax law and policy
- Provide tax information and analysis that is forward-looking and responds to the changing business environment

Our Values

Open Communication: Listening and being clear and forthright in all communications to enhance understanding

Cooperation: Working together to achieve Department goals

Respect: Honoring diversity, recognizing individual contributions and treating people with courtesy

Integrity: Committing to honest and ethical behavior

Professionalism: Demonstrating competence, resourcefulness, and the highest standards of conduct

Accountability: Taking responsibility for our actions and performance

Excellence: Working effectively in a supportive and fun work environment to achieve success

Initiative Indexes

Initiatives Indexed by Goals and Strategies

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Goal: Recruit, Develop, Retain and Value a High Quality, Diverse Workforce

Initiatives Indexed by Goals and Strategies

Goal: Seek Efficiency, Improvement, Innovation, and Accountability in Department Programs

Initiatives Indexed by Goals and Strategies

Initiatives Indexed by Goals and Strategies

Goal: **Promote Fairness and Consistency in the Development and Application of Tax Law and Policy**

Goal: **Provide Tax Information and Analysis that is Forward -Looking and Responds to the Changing Business Environment**

Initiatives Indexed by Lead Division

Initiatives Indexed by Lead Division

Initiatives Indexed by Lead Division

* indicates shared lead

Initiatives Ranked by Tier

As a planning and evaluation tool, each of the new initiatives included within the Strategic Business Plan were prioritized based on the following scale:

Tier 1 Essential   Initiatives with the Departments highest level of commitment; may require current activities to be adjusted.

Tier 2 Important   Initiatives that are very important but must be considered against other ongoing initiatives and activities if funds are not sufficient.

Tier 3 Beneficial   Initiatives that are beneficial to Departments programs, but will only be pursued if they do not infringe upon higher level priorities.

Based on the criteria above, the Department's Strategy Team reviewed the initiatives presented in this plan and developed the following ranking:

Tier 1 Initiatives
- Enterprise Business Portal
- Information Technology Architecture
- Streamlined Sales Tax
- Internet Website Enhancement
- E-file Application Upgrade
- Enterprise Risk Management
- Agency Communication
- Local Government Partnership
- Trends in Industry Practices
- Tax Application Training
- Diversity Program
- Data Warehouse Enhancements
- Electronic Case Management System
- Employee Use of E-File
- Quality Program Enhancement
- Fiscal Note and Bill Tracking Reporting System

Tier 2 Initiatives
- Alternative Language Services Review
- Appeals Program Review
- Brokered Natural Gas Reporting
- Tax Billing for Multiple Periods
- Electronic Systems Availability
- Property Tax Tutorials and Accreditation Data
- County Property Tax Data Management
- Succession Management and Workforce Development

Initiatives Ranked by Tier

Tier 2 Initiatives

Continued

Training Program Coordination

Unclaimed Property Holder Account Management System

County Tax Warrant Filing

Employee Intranet Resource Center Redesign

Payment Options in Field Offices

Bill Pay Application Expansion

Legislative Session Preparedness

Taxpayer Involvement in Tax Policy Development

Real Estate Excise Tax Automation

Geographic Information System Enhancement

Tax Assessment Tracking System (Phase 2)

Estate Tax Reporting System Enhancements

Tier 3 Initiatives

Resale Certificate Plan

Cigarette Distributor Reporting Automation

New Business Packet Process Analysis

Electronic Billing of Assessments

Information Analysis to Improve Tax Policy Decisions

Electronic Filing of Nonprofit Exemption Renewals

Online Taxpayer Account Information

Noncompliance Study of Unregistered Taxpayers

Taxpayer Correspondence Workflow

Collection System Modernization Study

Telecommunications Review

Unclaimed Property E-claim System Enhancement

Financial Programs and Systems Improvement

Appeals Case Management System Integration

Forest Tax System Rewrite

Environmental Conditions and Trends

Environmental Conditions and Trends

Business Environment

National Economy

The U.S. economy, buffeted by the war on terrorism, major hurricanes, and sharp increases in oil prices during 2005 and 2006, continues to perform fairly well. Although the economy grew at only a 1.1 percent annual rate during the fourth quarter, a respectable overall annual growth of 3.5 percent was recorded for 2005. The weakness in the final quarter of 2005 reflected consumers curtailing spending, cuts in government spending, and more restrained capital spending by business. Most economists, however, saw the slowdown during this quarter as a temporary setback rather than as a sign of sustained economic weakness ahead.

The Gulf Coast storms were expected to reduce second-half 2005 GDP growth, and increase 2006 growth as reconstruction spending seeps into the economy. Slower growth is expected over the next two years as the economic recovery matures. Also, a long-predicted slowdown in the housing market caused by high prices and rising mortgage rates could further slow economic growth.

Higher energy prices that contributed to the increase in 2005's overall inflation rate are expected to decline by 2007, resulting in a lower rate of inflation. Employment growth is forecast to slow from 1.6 percent in 2005, to 1.5 percent in 2006, and 1.2 percent in 2007. The unemployment rate is expected to remain low with rates of 4.89 percent and 4.98 percent in 2006 and 2007, respectively. National forecasts predict an inflation rate of 2.9 percent in 2005, which will decline to 2.5 percent and 2.2 percent in 2006 and 2007, respectively.

Washington Economy

Washington's economy continues to recover from the recession of the early 2000s and the negative effect of the September 11, 2001 terrorist attacks, on the aerospace industry. Strong orders for the Boeing Company's new 787 Dreamliner and other Boeing aircraft have translated into modest increases in hiring in the aerospace sector. Led by construction and aerospace, 80,000 jobs were created in 2005; however, the housing market has recently shown some signs of weakening.

The recovering economy was evident in tax collections for 2005. State tax collections increased 7.2 percent in Fiscal Year 2004 and 6.0 percent in FY 2005; compared to a 0.3 percent decline in FY02 and the 2.6 percent growth in FY03. Higher gas taxes which began in 2004, and real estate excise tax receipts were both contributing factors.

Washington's long-term outlook appears positive. Given Washington's position on the Pacific Rim, export-oriented industries such as aerospace, forest products, and agriculture will benefit from Asian economic growth. A significant share of U.S. trade with Asia is expected to pass through Washington ports. In addition, the state's abundant knowledge-based industries such as software and biotechnology are expected to lead future economic growth.

Environmental Conditions and Trends

Business Climate

In addition to trade, Washington businesses are strong competitors in global markets; Bellevue based Microsoft is a world leader in software, and Boeing plans to build its 787 Dreamliner in Everett. Washington is the fourth largest exporting state in the United States, without including exports by Microsoft. It appears that technology, aerospace, and agriculture will continue to generate economic growth in Washington in 2006 and beyond.

Gross business income reported by Washington businesses has resumed climbing after remaining essentially flat from 2000 through 2003. Gross business income rose 11 percent in calendar year 2004 after a slight decline from 2000 through 2003. Business income during the first half of 2005 was up 8.9 percent over the same period in 2004.

In the October 2005 issue of the annual Washington State Economic Climate Study, the Office of the Economic and Revenue Forecast Council concludes that Washington is improving in a majority of the benchmarks used to compare its economic climate against other states.

Although Washington suffered a greater percent decline in employment than the nation as a whole during the 2001 recession and subsequent "jobless recovery," it has snapped back from the recession at a faster rate than that of the nation. While the U.S. showed negative growth in 2003, the state reflected a positive growth and again outpaced the national growth rate in 2004. As a result, even though Washington's downturn was steeper, both the U.S. and the state regained pre-recession employment peaks at roughly the same time in early 2005. Most of the state's annual employment growth was accounted for by construction, trade, professional and business services, education and health services, and leisure and hospitality. Even though aerospace and other manufacturing employment began to increase in late 2004, the growth was not fast enough to produce annual gains.

While businesses continue to express concern about the state's business and occupation (B&O) tax on gross receipts, research has shown that taxes seldom are at the top of business check lists when it comes to site selection or expansion decisions. Washington places a relatively high initial tax burden on business, primarily through the B&O tax, but nonetheless has economically outpaced our neighboring state, Oregon, despite its low initial tax burden on business. Washington's gross state product has grown significantly faster than Oregon's over the past decade, and its earnings per job and research and development (R&D) expenditures per capita are substantially higher, while its unemployment rate is lower.

Environmental Conditions and Trends

Department of Revenue
Taxpayer Account Activity - Open vs Closed (In Thousands)

Taxpayer Accounts (y-axis)

Opened: FY00 82.5, FY01 83.5, FY02 86.9, FY03 90.2, FY04 98.1, FY05 105.3, FY06 108.1, *FY07 98.5

Closed: FY00 44.0, FY01 46.9, FY02 46.6, FY03 54.4, FY04 54.9, FY05 80.8, FY06 68.4, *FY07 56.5

Net: FY00 38.5, FY01 36.6, FY02 40.3, FY03 35.8, FY04 43.2, FY05 24.5, FY06 39.7, *FY07 42.0

Fiscal Year (x-axis): FY00, FY01, FY02, FY03, FY04, FY05, FY06, *FY07
* Estimated

Legend: ◆ Opened   ■ Closed   ▲ Net

Washington Revenue Forecast

The Washington State Office of the Economic and Revenue Forecast Council's June 2006 forecast stated revenue collections continue to come in stronger than fundamental factors would normally indicate. Much of the strength in revenue collections can be traced to very strong real estate and construction related activity. The Council is forecasting slightly stronger Washington employment and income growth over the next two years.

The General Fund-State revenue estimate for the 2005-07 biennium is $26.967 billion; this is a $523.9 million increase over the February forecast after factoring in non-economic changes. Looking to the 2007-2009 biennium, the Council estimates $29.463 billion, a 9.3 percent increase over the current biennium.

Demand for Efficiencies and Productivity

The Department is continually looking for new ways to provide effective and efficient services, responsive to taxpayer need and accountable to the public. As the state's population continues to grow, so will the number of businesses that register with the Department, creating an even greater demand for services. This increased demand by taxpayers, along with budget reductions, makes spending decisions particularly challenging. Based on the growth rate over the last several years, it is anticipated that the number of registered businesses will grow by an average of six percent annually. This growth will require the Department to continue its emphasis on innovative approaches to government programs within budget constraints.

Environmental Conditions and Trends

Washington State Registered Excise Tax Accounts

Legend:
- Active Non-Reporting Accounts
- Active Reporting Accounts

*Estimated
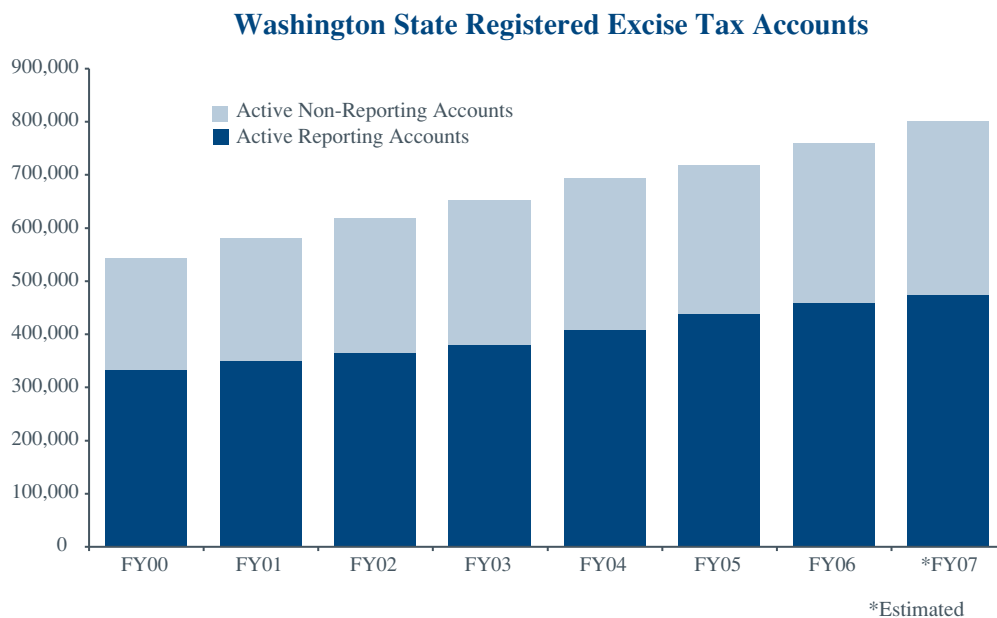
Technology

Business continues to change with advances in technology. The Internet, high-speed telecommunications, powerful personal computers, and wireless technology are the most obvious outward signs of change. In order to manage increasing volumes of information, meet customer expectations, and maintain high levels of data integrity and security, the Department must invest in and deploy adequate technology.

Demand for Information: Technology enables the integration and management of information resources to aid businesses and government in seizing opportunities to bring "added value" to business activities. This may be through greater productivity, higher quality of service, or better decision-making.

Greater reliance is being placed on automation and electronic means of passing information between external and internal users, and providing improved data manipulation and analysis tools. This creates a need to manage information in terms of volume, security, timeliness, and integrity and at the same time, deal with privacy and legal considerations of electronic media via the use of Internet, Intranet, and Ethernet technology. With the increased use of and reliance on automation, there is also the public expectation for more online services and information.

Security Concerns: Expanded use of the Internet environment increases the need for more sophisticated security measures. The demand for more online public services requires that technology is deployed to ensure secure communications for the public, as well as making information accessible only to authorized personnel. With the ever increasing frequency of more sophisticated virus attacks, hacker intrusions, spyware, and spamming, it is imperative that organizations take necessary precautions to ensure business is not disrupted and trust is maintained with customers.

Environmental Conditions and Trends

Balance with Personal Service: Automation improves service delivery and creates opportunities for efficiency. However, in many instances, customers still want to talk to a person to conduct their business. The balance for all organizations is to provide full service through the utilization of technology, while offering personalized service when needed.

Customer Expectations: Citizens and businesses expect the Department to be able to conduct business on their terms. In response, the Department will continue to design and develop new and better technologies to meet this demand when financially feasible. This situation is made even more challenging by the rapid changes in the technological environment that make for a dynamic decision-making atmosphere. Additional challenges are created because different expectations exist among different customer groups. Taxpayers served by the Department range from the small entrepreneurial business to the large multinational companies, with the majority being small business. Therefore, expectations range from basic needs for paper-based processing to the most sophisticated technology solutions.

National Tax Policy

The Department is an active member of national organizations such as the Multistate Tax Commission and the Federation of Tax Administrators. The Department works at the national level with these organizations to advocate sound tax policy, by keeping current on, and influencing, national issues that impact the state. These issues include business activity tax legislation, the moratorium on taxation of Internet access, telecommunications tax reform and simplification, and legislation to permit member states of the Streamlined Sales and Use Tax Agreement to compel remote sellers to collect tax. Although Washington will not be a member state until conforming legislation is passed, the Department continues its leadership role with the Director participating on the Steering Committee of the State and Local Government Advisory Council. This council advises the Streamlined Governing Board on matters of interest to the states. The Director is also on the executive committee of the Multistate Tax Commission and the board of trustees of the Federation of Tax Administrators. All issues are extremely important to state and local jurisdictions because of their potential impact on the ability to fund vital public services.

Public Perception of Government

The public has long viewed the performance of government with skepticism. Many see government as wasteful, inefficient, cumbersome and intrusive, a view that has been perpetuated and exacerbated by negative media coverage. Many citizens question the level of taxes and fees they pay to federal, state and local governments and how these dollars are spent. Rising taxes, particularly property taxes, continue to trigger a series of initiatives to reduce or limit the growth of taxes. The perception of too high taxes is not supported by statistics that show that Washingtonians pay a lower percentage of their income in taxes than most other states. Paradoxically, voters also have approved measures to spend more tax dollars on what they perceive as desirable services such as education and transportation. However, these initiatives, typically promoted by special interests, do not always come with additional funding sources. Two education initiatives, for example, directed the state to spend more money to increase teacher pay and reduce class sizes without providing any new source of revenue. This conundrum has forced government to make tough decisions on which services it can afford to provide, with the expectation that any reduction in service will generate additional negative publicity that further erodes public confidence.

Environmental Conditions and Trends

Complexity of Tax Law

Washington's excise tax code was adopted in 1935 when the United States was primarily a manufacturing economy. Many businesses operated solely within Washington and the taxability of their activities was clear. Seventy years later, the United States has shifted to a service economy and many businesses operate in multiple states and over the Internet. Our 1930's tax code does not adequately address the borderless economy. At the same time, competition among the states to attract and retain desirable businesses has become intense. Numerous tax credits, deductions, and exemptions have been enacted over the years to address our tax code's shortcomings and impact Washington's business climate, and each legislative session results in new amendments to the tax code. This has resulted in a complex tax code. Taxpayers rely on the Department to provide clear, concise rules and instructions. Meanwhile, the continuing globalization of business has multi-state and multi-national businesses demanding more uniformity in tax laws to reduce the burden of compliance.

Intergovernmental Cooperation

Cooperation among government entities is important and necessary in providing needed services. The Department is working with several state agencies to provide a Business Portal within the website "Access Washington". The goal of the portal project is to provide one place where businesses can go to access information relevant to operating a business in Washington. The Department works cooperatively with a variety of other agencies, associations, customer groups, and governments in order to:

- Collect and distribute taxes correctly
- Develop sound tax policy
- Enhance the understanding of tax law and policy
- Promote positive relationships

Local Tax Administration

Local option sales and use taxes continue to increase in both number and type, and continue to be a substantial revenue source for most local taxing jurisdictions. More than 320 taxing jurisdictions exist in Washington at this time. New taxing jurisdictions continue to be formed that create tax boundaries in nontraditional ways. These include voting precincts, community empowerment zones, lodging districts, and transportation districts. Local governments want more data from businesses to ensure taxes are distributed accurately and fairly. The Department is working towards providing more local tax administration information via online applications for our local government customers. Businesses indicate that accounting for local tax, even in its current form, is very costly. Washington State is participating in a national effort, the Streamlined Sales Tax Project, to streamline the reporting of sales taxes by making the different states' sales tax reporting structure more uniform. Some of these efforts may require changes to current methods of local tax administration.

Property taxes, which have been the subject of several citizen initiatives, are collected by the counties for distribution to many local jurisdictions and the state. As a result of these initiatives, some counties are experiencing funding issues and increased difficulty in the administration of the tax.

Environmental Conditions and Trends

Department of Revenue

Local Sales/Use Tax Distributions to Cities & Counties
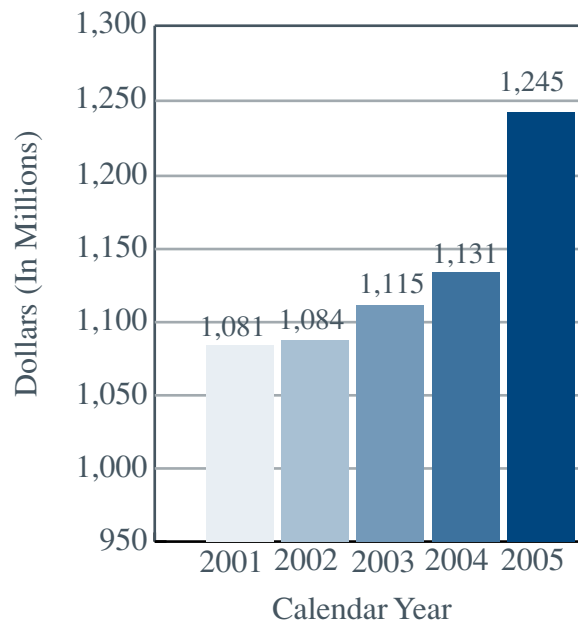
Workforce Issues

In addition to the ongoing changes in workforce demographics and the legislated changes to the state's personnel system, and as the economy improves, Washington has been experiencing a more competitive employment market. These demographic, legislative, and economic, factors continue to create significant challenges for the management of the Department of Revenue's workforce. Such challenges include:

- Developing innovative, competitive methods for recruiting and retaining qualified employees in an increasingly complex job market.
- Seeking to reflect the diversity of the state's changing population in the composition of the Department's workforce.
- Finding ways at a state level to fund competitive salaries for government workers.
- Responding to changing social circumstances of both the population in general, as well as the work place in particular; addressing the growing emphasis on the balance between work and family to ensure a stable, productive workforce.
- Addressing the aging of the Department's workforce and the corresponding increase in retirements, in particular that of the Department's most experienced, knowledgeable employees.
- Ensuring compliance with the growing complexity of interacting and overlapping employment laws, regulations, and court decisions affecting every aspect of workforce management.

These challenges demand innovative, flexible employment programs and systems in order to continue to build and retain the quality and diversity of the Department's workforce. The Department will continue to be a leader in the design, implementation, and management of such programs and systems, with an emphasis on effective recruitment, selection, background investigation, orientation, training, mentoring, coaching, recognition, performance management, quality development, labor relations and succession planning.

Environmental Conditions and Trends

Department of Revenue
2005 Comparison of Population Compositions by Race/Ethnic Group
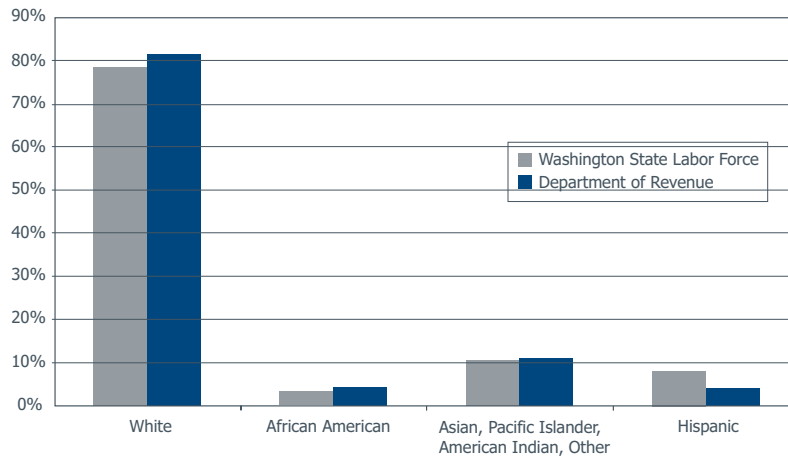
Department of Revenue
Percentage of Workforce Population Over Age 40
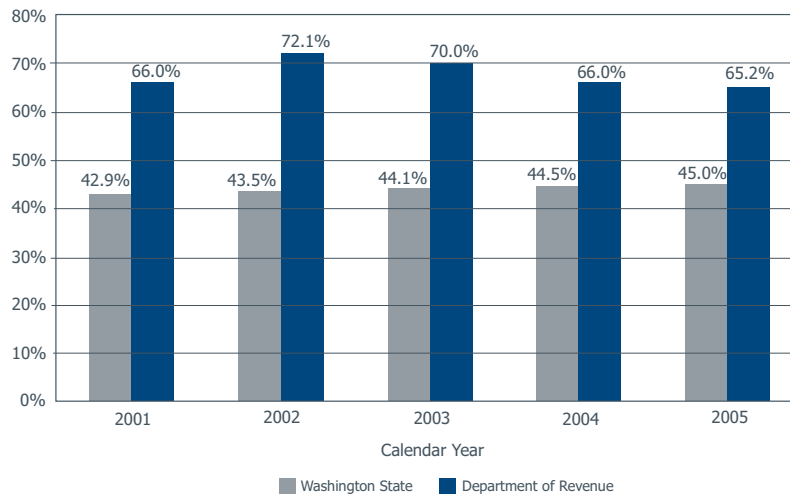
Civil Service Reform

The implementation of the Personnel System Reform Act of 2002 continues to significantly affect the Department of Revenue's operations and workforce management. Impacts have been, and will continue to be, felt by every employee, either as a result of collective bargaining, evolving civil service rules, or implementation of the new human resources management system. The Department will continue to work on implementation of civil service reform, identify and address employee and workload issues; and improve communication to employees about emerging impacts and changes.

Environmental Conditions and Trends

Our Customer

Taxpayers are the Department of Revenue's primary customer. Additional customers include: the Governor's Office, Tribes, the Office of Financial Management, the Legislature, citizens, other state agencies, as well as local and federal agencies and governments.

Taxpayers: The majority of taxes the Department collects are business taxes, as opposed to personal or corporate income taxes. Therefore, the majority of our dealings with taxpayers are with business owners or their representatives. However, there are some instances, such as the estate tax and escheat estates, real estate excise tax, or use tax, where the Department deals directly with individuals.

The use of technology is fast becoming a preferred method of communication with the Department as evidenced through increasing Internet visits and use of electronic filing and payment options. In response, the Department offers a variety of electronic services which allows taxpayers to update their account information, file returns, make payments, and access current forms and publications online. Personal assistance to taxpayers is available through our help desk. The toll-free telephone line offers additional electronic services, such as Tax Express, a series of pre-recorded information on various tax topics, Fax-On-Demand, and the ability to telefile "No Business" excise tax returns. The Department deals with a broad spectrum of taxpayers. In order to meet diverse expectations, a variety of options are offered for communicating and providing information.

Demand for Services: Based on the growth rate of the state's population and corresponding growth in registered businesses over the last several years, it is anticipated that the number of registered businesses will increase by an average of six percent annually. This will increase the demand for services and require greater collection efforts. At the same time, the Department recognizes the pressure and demands for Government to improve services with fewer resources. To meet these challenges, the Department is constantly seeking innovative processes and efficiencies in programs and activities.

Assessment of Customer Needs

Taxpayer Surveys and Participation

Every three years the Department of Revenue conducts a taxpayer survey to help assess the varying needs of customers and to help determine how efficiently and effectively work is done. The survey contains questions regarding all areas of the Department's operations and keeps some key questions the same to compare responses over time.

Smaller surveys conducted have included:

- The Audit Process Survey that requests information from the taxpayer once an audit has been completed.
- Surveys conducted in field offices and through the Telephone Information Center to gain insight into why a taxpayer uses a particular service and whether or not they were satisfied with a particular service.
- Online usability surveys made available on the Department's Internet web site.

Environmental Conditions and Trends

Other means of soliciting input have included:

• Business and local government stakeholder roundtable events that were held throughout the state to obtain input for the Department's FY07 to FY11 Strategic Business Plan.

• Asking taxpayers to participate in committees, focus groups and panel discussions to resolve specific issues or discuss policy matters.

• Conducting "new business workshops" to provide new companies the opportunity to gather information on tax policy and requirements.

• Meeting with industries to discuss tax issues of specific importance to them and gather ideas for improvements and possible legislative proposals.

Information obtained from these surveys and solicitations are analyzed and actions are taken to improve services.

Current and Ongoing Activities

Current and Ongoing Activities

The Department is involved in many activities that support its vision, core mission, and attainment of goals. The following write-up describes some of these activities but is not intended to be an all inclusive listing. Instead, the descriptions are intended to provide a sampling of efforts to provide a general understanding of current and ongoing efforts.

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Taxpayer Information and Assistance

The state's business tax system relies primarily on the voluntary reporting and payment of taxes. The Department also understands that achieving high levels of voluntary compliance is also the least expensive means of tax collection. Therefore, it is important that taxpayers understand their responsibilities when computing, filing, and paying their taxes. Towards this end, the Department engages in a variety of activities designed to provide accessible, timely and accurate information and assistance to ensure taxpayers understand their responsibilities and how to report and pay their taxes.

Personal Assistance

The Department provides face-to-face taxpayer assistance at each of its 13 field offices located throughout the state. Workshops for new and out-of-state businesses are also conducted to provide taxpayers with both general and specific information regarding their business activities. Taxpayers may also call the Department's toll-free Telephone Information Center for personal assistance or to use automated services such as Fax-on-demand forms and instructions, Tel E-file for reporting "No Business" activity, and Tax Express for prerecorded tax information. Taxpayers may also call local field offices for information.

Web-based Information

A wealth of tax information is available to taxpayers and other customers via the Internet. Information that is available includes tax laws, rules, forms, tax guides, tax publications, and information regarding starting a new business. Other information includes unclaimed property information, general tax research information and data. All information is available 24 hours a day.

Forms and Publications

The Department produces a variety of publications and forms that provide information and instruction regarding tax issues and reporting. These publications include Tax Facts, the annual Business Tax Guide, as well as fact sheets, rules, and forms for reporting. Brochures and guides are also produced regarding property taxes, estate taxes, and other smaller tax and fee programs, along with publications that provide data regarding tax collections and exemptions.

Reporting and Payment of Taxes

E-Business

A high priority for the Department continues to be to find ways to make the reporting and payment of taxes easier. A major cornerstone of this strategy has been the introduction and expansion of electronic filing and payment options of which the most significant is

Current and Ongoing Activities

the E-file application. Since its inception in 1998, the number of businesses using the E-file application for sending payments for their combined excise tax return has steadily increased. During 2005 nearly 30 percent of tax returns were filed electronically. Payments associated with E-file can be made by Electronic Funds Transfer, I-check, credit card, or check. Taxpayers using E-file have online access to business-specific forms, rules and regulations, can take advantage of online edits for calculation errors, and experience greater convenience.

The Department has also implemented online payment of receivables and other web-based applications to make conducting business easier. These applications have included work with the Department of Licensing on the online master application, providing local tax coding online, allowing citizens to request unclaimed property via the Internet, secure messaging services, and making tax account information changes via the Internet.

Tax Reporting

Other efforts to make tax reporting and payment easier have included simplifying and customizing tax returns, and consolidation of business and occupation tax rates. Years ago a major breakthrough that continues to benefit taxpayers and the Department was the establishment of an "active non-reporter" status for taxpayers. Being an "active non-reporter" allows a business to be registered, but eliminates the requirement for filing a return when reporting thresholds are not met and there is no tax liability. Other efforts have included pursuing better ways to allow timber and excise tax taxpayers to clear an outstanding return due to a period of no business activity.

Tax Law Simplification

Tax law simplification has been, and continues to be, a Department priority. As a result, the Department continues to be involved in national efforts regarding simplification through participation on several national organizations such as the Multi-State Tax Commission and Federation of Tax Administrators. These organizations focus on many issues including increasing the efficiency and uniformity of tax systems. The Department also continues to work toward passage of legislation that will allow Washington to be a member of the Streamlined Sales and Use Tax Agreement that makes the sales tax system across the country more simple and uniform. The Department also works internally and with stakeholders to identify areas of tax law that are confusing and need simplification. Once identified these ideas are turned into solutions that are proposed for consideration by the Governor's Office and the Legislature.

Multilingual and Other Assistance Programs

The Department provides a multitude of services to accommodate the state's culturally and physically diverse population. Examples include providing interpreters to assist taxpayers in more than 20 different languages, as well as special services to assist those with speech, hearing, and/or visual impairments. In some instances forms and publications may also be provided in an alternative language. Programs and workshop facilities are continually being evaluated to ensure compliance with the requirements of the Americans with Disabilities Act.

Current and Ongoing Activities

Goal: Recruit, Develop, Retain, and Value a High Quality, Diverse Workforce

Recruitment

The Department has developed a "Recruitment and Retention Plan" to focus on key recruitment issues and utilize innovative methods to assist in recruiting a qualified, talented, and diverse workforce. Specific actions outlined in the plan include advertising in newspapers, trade publications and on the Internet, as well as the use of non-traditional, pro-active recruitment methods. The Department also participates in job fairs sponsored by universities and community-based organizations, uses extensive recruitment contact networks to identify qualified candidates, and utilizes the services of the Department of Personnel. College recruitment programs, student interns, in-training designations, and the Washington Management Services are all used as flexible recruitment tools to access a broad pool of qualified, diverse candidates.

Diversity

A diverse workforce maximizes the talent, potential and success of all employees. By hiring employees that represent a full range of cultures, backgrounds and experiences, the Department benefits from a richer set of skills and perspectives. The Department continues to be dedicated to providing equal employment opportunities and is committed to reach full utilization in all protected group categories. As a result, the Department will further expand outreach efforts for recruitment and retention in order to best reflect and serve Washington communities.

Training

Increased dependence on technology and other challenges of today's complex work environment call for a technically and professionally trained staff to effectively and efficiently carry out their job responsibilities. The Department recognizes this need and is committed to the ongoing development and training of employees.

Training Development Plans

Employees complete a training development plan annually as a component of the performance evaluation process with their supervisor. These individual plans provide an opportunity for managers and employees to focus on training based on job responsibilities and individual development, as well as linking the employee's resulting performance to Department goals, strategies and initiatives.

Available Training

To provide training that is cost effective, the Department conducts in-house training, partners with other agencies and the Department of Personnel, and contracts trainers when appropriate. In-house training includes leadership and management development, effective supervision, team facilitation, project management, workforce management, communications skills, interpersonal skills, diversity, ethics, sexual harassment prevention, information technology courses, and safety and wellness courses. Employees are also offered opportunities for individual cross training, job rotations, and shadowing assignments. New employee orientation and the Department's formal cross training courses are also offered to new employees to help familiarize them with various Department functions.

Current and Ongoing Activities

Library

The Human Resource Development Library, which contains books, tapes, and videos; career counseling services; tuition reimbursement and tuition waiver programs are accessible to all Department employees. To manage and document employee training, the Department administers an online automated training registration system. "E-learning" educational opportunities for employees are also offered in collaboration with the Department of Personnel.

Performance Management

Through its performance management program, the Department strongly emphasizes the link between individual employee training, development, and performance, to the achievement of Department goals, strategies and initiatives. This program includes conducting employee performance evaluations on a defined schedule with employees and supervisors to reinforce management accountability and results. Supervisors and managers are provided with needed tools and resources to guide and lead employees toward achievement of individual, unit, and Department goals.

Employee Recognition

Employee contributions to achieving the Department's vision, mission, and goals are encouraged through a variety of formal and informal recognition programs. Recognition increases employee retention and motivation by fostering individual and collective pride in the Department. These programs affect employee satisfaction and move the Department closer to its goals. Formal recognition programs include the Agency Recognition Awards program, quarterly division recognition, and the "ALL STAR" (All Sincere Thanks, Appreciation, and Recognition) awards for daily recognition of employees. Informal recognition also occurs regularly within work groups and offices.

Communication

Management and Employee Relations

Management is committed to, and strives to maintain open communication with employees. The Human Resources division coordinates much of the communication between management and labor relations groups. Employee communication is also encouraged through forums such as quality improvement committees and management site visits.

Employee Satisfaction Survey

Since 1989, the Department has conducted a biennial Employee Satisfaction Survey to assess current job satisfaction and expectations of employees. Confidential input is obtained regarding eleven categories including career development, communication, service quality, and supervision. The responses are discussed with employees through feedback sessions and committees in order to address specific improvement areas. Survey results are utilized in strategic planning efforts and action plans throughout the Department.

Current and Ongoing Activities

Information Access

In an effort to continually improve communication with employees, the Department utilizes several methods of sharing information. These include publications on the Intranet – Inside Revenue and Messages from the Director, Division WebPages, e-mail, telephones, voice mail, staff meetings, and internal division correspondence. Tax information is also available to employees via the Intranet – with manuals, rules and regulations, and research tools such as Taxpedia readily accessible. Employees also receive special notices, press releases, and pre-released taxpayer publications.

Risk Management

As a part of ongoing programs and activities, the Department routinely takes actions to minimize the risk of harm or liability for employees and clients, as well as damage to equipment. Ongoing efforts have included: ongoing supervisory and management training, conducting mandatory sexual harassment and ethics training, defensive driving courses for employees driving state vehicles, administration of safety committees, conducting criminal background checks on new hires, and the maintenance of automatic external defibrillators for each office. The Department will also be conducting a new risk assessment to determine if additional attention is warranted in any particular area. Designated risk manager positions address financial, facilities and employment liability issues and engage in risk reduction activities.

Safety and Health

Safety

The Department recognizes the Safety Program as a priority in an effort to ensure a safe and healthy workplace. When workplace accidents occur, the Department evaluates the incidents and takes immediately action to ensure similar incidents do not happen in the future. To comply with OSHA/WISHA applicable regulations, a safety plan is in place and updated as necessary. Safety committees consisting of both management and employee representatives are present in all field offices and Thurston County buildings. Regular meetings are held to evaluate safety issues and recommend solutions. Office and vehicle inspections are conducted on an annual basis.

To further foster a safe environment, the Department has created a safety webpage that includes information on emergency preparedness, office ergonomics and safe driving. Various safety-training courses are also provided, such as first aid, fire extinguisher handling, mail threat awareness, emergency preparedness, and office ergonomic workshops.

Wellness

The employee wellness program promotes overall health and fitness. A primary focus of this program is proactive ergonomic assessments of employee workstations to determine the most suitable, cost-effective work space design and corresponding equipment. Based on such assessments, workstation modifications are made and equipment provided in an effort to reduce work-related injuries and illnesses, and resulting claims.

Emergency Plan

The Department publishes and distributes an Emergency Plan to all employees. This plan contains checklists and instructions to be followed in the event of an emergency. Each building also has employee representatives who are responsible for coordinating activities in an emergency or other situations outlined in the plan.

Current and Ongoing Activities

Work Environment

Equipment and Facilities

When employees are equipped with the necessary tools to do their jobs, productivity and moral is enhanced. Over the years, the Department has focused on upgrading equipment; and remodeling and relocating facilities to better meet the needs of customers and staff. In the future, the Department will continue to assess the condition and usefulness of facilities, supplies, equipment and technology to make replacement decisions based on need and available resources.

Alternative Work Arrangements

Alternative work arrangements help the Department to retain skilled employees by offering greater flexibility, thereby improving morale. Benefits also include reduced absenteeism and related sick leave usage, reduced turnover, and a reduction in commute trips. These programs are supported by the guaranteed ride share program, bus and vanpool reimbursement, and the STAR pass program.

When possible, the Department offers staff a variety of flexible work arrangements including flex-place, flex-station, and flexible working hours within established limits. The Department also supports job rotations, job development assignments, job sharing, and part-time employment opportunities, when feasible and in light of business needs. Light duty assignments may be available for injured workers depending on the circumstances.

Goal: Seek Efficiency, Improvement, Innovation, and Accountability in Department Programs

Tax Processing and Information

Online processing and availability of tax information continues to be a major Department focus. E-file continues to gain users, making processing easier for the taxpayer and the Department, and provides more immediate access to tax information for employees. Other electronic filing and payment options have also been added for use tax and cigarette taxes. The Department's conversion to the North American Industrial Coding Structure (from the Standard Industrial Classification System) makes it easier for employees to identify the type of business a company is engaged in, and brings the Department into compliance with the new national standard. And, employee access to online excise tax information is available due to the successful implementation of the imaging system.

Program Enhancements and Efficiencies

Continuous efforts are made to improve program administration. The ability to pay compliance assessments and warrants electronically using the Department's Bill Pay and automation of the Real Estate Tax Process are two recently completed systems enhancements. Automation of Unclaimed Property claims, to request abandoned property, is another major achievement in terms of customer service and efficient operations. The Department has also invested in a Data Warehouse to improve operations in areas such as audit selection and enforcement activities. Other ongoing projects include online marketing videos to promote E-file, Secure Messaging, Bill Pay, and Use Tax.

Current and Ongoing Activities

Quality Program

The Department of Revenue fosters a culture of continuous learning and the highest standards in state service. The Quality Program is a vehicle to convey the Department's commitment to effective and efficient service delivery.

Baldrige

The Malcolm Baldrige National Quality Award criteria have driven internal improvement efforts for nearly a decade. Three internal self-assessments have increased Department capacity to evaluate and improve current management processes in accordance with national best practices.

Washington State Quality Award

The Department of Revenue plans to submit triennial award applications through the Washington State Quality Award, per House Bill 1970, starting in 2007. Modeled after the Malcolm Baldrige National Quality Award, Revenue is well-suited for its first external Baldrige-based examination. In-house knowledge will be complemented by new training in order to maximize this opportunity for improvement, and implementation efforts will continue at all levels with the Department.

Government Management, Accountability and Performance (GMAP)

The Government Management, Accountability and Performance system is an accountability tool used internally and in reporting to the Governor. Regular performance review sessions provide Department leadership a clear view of current progress and challenges. By telling the story behind performance measures, a thorough understanding emerges, enabling and the management decisions to be based on proven strategies that are implemented efficiently.

Current and Emerging Technology

The Department is committed to improve and implement state of the art business processes that increase efficiency and effectiveness. As such, the Department maintains systems and networks that range from personal computers to mainframe applications, as well as local and wide area networks, and extensive use of the Internet/Intranet.

Employees presently utilize active directory services, and benefit from offsite access to mainframe and e-mail services. Enhancements to the automated travel reimbursement system and automation of purchasing, inventory, and warehouse procedures will simplify processes and enable faster services along with more accurate tracking.

Other ongoing projects include improvements to the Geographic Information System used for local tax coding, implementation of the Forest Tax Computer System, and development of the Electronic Case Management System.

Administrative Processes and Information

In an effort to improve organizational efficiency, administrative processes are continually under review. Implementation of online systems such as travel reimbursement, leave accounting, and automated training registration, provide employees with better and more efficient ways of taking care of administrative activities. Easier access to information has also been accomplished through the enhancement of the Employee Center Intranet Web site and the creation of the Financial and Business Services employee reference guide.

Current and Ongoing Activities

Administrative policies and procedures, phone rosters, job announcements, are additional examples of information that is readily available on the Intranet for employee use. Quick efficient access to this information enables line staff to spend more time and energy on customer service and job responsibilities versus administrative activities.

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Internal Communication

A variety of tools are used to maintain good internal communication within the Department. An example is the Intranet website, which serves as a central communication point for accessing information about the Department and each of the 14 divisions within Revenue. The Intranet also provides links and access to the State's Intranet and Internet web sites, and other relevant materials such as employment related information. Email is another effective way the Department provides information to employees.

To promote good communication and solicit feedback, the Department conducts a biennial Employee Satisfaction Survey. In addition, information sharing between line staff and supervisors, along with information shared at division meetings and events is encouraged. The Department's vision, mission, goals and values, performance measures, service standards, and service commitments are shared Department-wide in a variety of ways.

Partnerships

The Department collaborates with a variety of agencies, associations, customer groups, and governments to collect and distribute taxes, develop tax policy, interpret tax law, and promote positive relationships. The Tax Executives Institute, Washington Bar Association, Washington Society of Certified Public Accountants, Association of Washington Counties, and the Association of Washington Cities are among the organizations that the Department seeks input from, or collaborates with to carry out tax administration and other activities. At the national level, the Department works with the Internal Revenue Service, Federation of Tax Administrators, and Multi-state Tax Commission.

Recently, the Department has been a part of the statewide Portal project which is a priority of the Governor and involves multiple agencies. The goals of this project include making State government services more accessible.

The Department works closely with, and provides assistance to, the Governor's Office, the Office of Financial Management, and the Legislature on tax policy issues and proposals. Other state agencies that work with the Department include Labor & Industries, Employment Security, Secretary of State, and the Department of Licensing. These agencies created a Unified Business Identifier business number years ago and have continued to work together to improve state services. The Department also works closely with the Office of the Forecast Council to forecast non–General Fund revenue estimates and to provide them with data for the State-General Fund forecast.

Current and Ongoing Activities

Tribal Relations

The Department is working with tribal governments to resolve taxation issues to the extent possible. Following the spirit of the 1989 Centennial Accord, the Department established cigarette tax agreements with several tribes. In addition, ongoing discussions are addressing other tax rules that pertain to transactions within the boundaries of tribal reservations.

Working Together With Customers

The Department works cooperatively with numerous associations and trade organizations to enhance understanding of Washington State tax law. The Department offers guidance for businesses either locating, or expanding their operations in Washington State. While providing education on the state tax system, the Department helps determine if businesses qualify for any special programs. Also, Department employees are available to speak at local business meetings to provide information and answer questions about tax issues. One recent undertaking by the Department included making public access to business information easier through the Internet.

Customer Surveys and Feedback

Surveys

To help determine the effectiveness of services and operations while assessing needs and expectations, the Department conducts a Taxpayer Satisfaction Survey every three years. Survey questions cover all areas of operation, with some questions being retained over time in order to analyze trends.

Other means of gathering customer feedback are also employed. The Audit division surveys taxpayers upon completion of an audit. Periodic surveys are also conducted in Department field offices to provide insight into why taxpayers use a particular type of service. The same type of survey is used in the Department's Telephone Information Center to measure taxpayer satisfaction with the service. And to improve Internet services, the Department also periodically posts surveys on its Internet home page to gather public feedback and track usage.

Another means of involving taxpayers and soliciting input is to request their participation on committees, focus groups, or panel discussions. The Department has used this technique to resolve specific issues or obtain input on policy matters. Meetings and study efforts are also conducted with specific industries to discuss important tax issues and gather ideas for improvements and possible legislative proposals. And, taxpayer forums were held to solicit feedback for consideration as the Department was working on this Strategic Business plan.

Taxpayer Appeals

Work is ongoing to make the appeals process more efficient and effective. Benchmarking studies have been conducted as well as an evaluation of best business practices. The result has been the implementation of several changes to the process. These improvements include: a higher threshold for taxpayer use of the small claims process and in specific instances, an expedited appeals process. Ongoing efforts will include a taxpayer satisfaction survey. These results will be used to assess the next process improvements to issue timely, final decisions.

Current and Ongoing Activities

Taxpayer Advocate and Issue Resolution

To further enhance responsiveness to taxpayers, the Department created a Taxpayer Rights Advocate position. This position was established in statute and provides taxpayers with an alternative route for resolving issues, and helps to ensure that taxpayers are aware of their rights and responsibilities. When a dispute cannot be resolved through routine channels, the Taxpayer Advocate can assist the taxpayer in understanding options and procedures available to resolve the issues at hand. Also, the Taxpayer Advocate can serve as a mediator between the taxpayer and Department.

The Department also maintains a feedback tracking system where customers and staff can input compliments or complaints. Upon receiving a compliment or complaint, the Department responds within four working days.

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Education and Outreach

Education is the most efficient and cost-effective way to attain voluntary taxpayer compliance. Consequently, the Department continues to focus efforts on educating taxpayers and providing them with information to enable them to fully understand and comply with their tax reporting responsibilities. Taxpayer outreach is also provided through business workshops, industry-specific assistance, and distribution of timely, understandable, information in publications like "Tax Facts."

The Department also makes an effort to provide direct taxpayer assistance in various one-on-one educational forums. Examples include audits, reconciliation of account balances, telephone assistance, and consultation visits by audit or unclaimed property staff. In 13 field offices across the state, taxpayers can obtain personal assistance with business registration and completion of tax returns. The public can also access services and information on the Department's web page, including tutorials on specific tax topics or issues.

Targeted Education

Assisting taxpayers in understanding their tax obligations continues to be a Department objective. One method the Department uses to achieve this result is through targeted education efforts. These efforts are designed to alleviate areas of confusion or clarify new or recently changed tax laws. Targeted education is conducted through Special Notices, workshops, and speeches for specific industries. Targeted education has proven to be a highly cost-effective way to improve compliance and increase tax revenues.

Voluntary Disclosure Program

The Department of Revenue encourages businesses to comply with the State of Washington's tax laws and to voluntarily register and pay prior tax obligations. The voluntary disclosure program allows companies to come forward by providing a detailed written description of their past activities. If a taxpayer is accepted into the program, penalties will either be partially or fully waived and interest will be imposed at the statutory rate.

Current and Ongoing Activities

Audit Activities

Audits are conducted by the Department to ensure compliance, and educate and inform taxpayers of their tax obligations. The Audit division uses a variety of methods to select audits including: randomly selected audits whose data is used for the Voluntary Compliance Study, audits of new businesses open less than 24 months, and targeted audit selection.

Managed Audits

The Managed Audit Program is an alternative to an auditor conducting a full audit, and is a way to educate taxpayers on how tax laws apply to their business activities. A managed audit is done primarily by the taxpayer with auditor direction and verification. In exchange for the taxpayer's time, if the audit findings determine money is owed, up to $5,000 in interest and the 5 percent assessment penalty may be waived.

Tax Consultations

Upon request, an auditor from the Department will visit a taxpayer's business and explain how state taxes apply to their specific activities. The service is aimed at new businesses but all businesses can take advantage of the opportunity to obtain one-on-one education to avoid costly misunderstanding or mistakes. The services include spending time reviewing a taxpayer's business activities and the records they maintain. Once the consultation visit is completed, the taxpayer is provided with a written summary of the topics discussed. A taxpayer may also request written instructions to help fill out future tax returns.

Limited Scope Audits

A limited scope audit assignment focuses on a specific area of taxation for review versus a comprehensive review. Limited areas of review include: deductions, exemptions or credits, income by specific tax classifications, business activity, or use tax.

Limited scope audits are efficient and reduce the time an auditor spends at a taxpayer's place of business. This approach minimizes the impact on the business and maximizes the effectiveness of the field auditor's time.

Computer Assisted Audits

The Computer Assisted Audit Program provides support to audit staff in assisting with electronic records and sampling. By using computers, auditors are able to efficiently manage large volumes of electronic records, assist in evaluating a taxpayer's records, select appropriate samples for audit, and evaluate the results of those samples. A computer assisted audit often reduces the taxpayer's time, effort, and resources necessary to undergo an audit of numerous transactions.

Collection Efforts

Collection activities on registered business accounts are an important component in promoting voluntary compliance and generating revenues to fund state and local government services. These efforts help to ensure all taxpayers pay their fair share. Collection efforts help to ensure all taxpayers pay on time and pay their full tax liability. Primary focus is placed on collecting delinquent taxes from unpaid, late tax returns and past due receivables such as tax assessments and billings, and tax warrants. Collection efforts are made through phone calls, letters, personal contact and legal action. To improve collection activities the Department now utilizes a centralized phone center to make faster, initial contact on many accounts. Known as the Initial Contact Team, this center frees up revenue agent time in

Current and Ongoing Activities

other field offices to work on more complex cases. These more complex collection cases may also involve working with the Office of the Attorney General and their Bankruptcy or Criminal Litigation Units to collect amounts owed.

Tax Discovery

The Tax Discovery Program is an important component of enforcement efforts that is aimed at unregistered businesses and individuals who owe the state taxes. Tax discovery efforts help to ensure a fairer business environment and also help to promote voluntary compliance. The program has three main functions: discovering sources of previously unreported tax; collecting tax dollars; and educating the public about Washington State tax laws.

Tax discovery agents identify, assess, and collect taxes from Washington residents who own and operate unregistered vehicles, vessels, aircraft, and who purchase tangible personal property without paying sales tax, thereby owing use tax. The agents also find unregistered businesses that should be registered and paying taxes and also find businesses who are not reporting all business activity. Agents also inform taxpayers of their tax obligations and assist them in complying with Washington State tax laws.

Goal: Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Tax Rules Review and Development

The Department strives to keep administrative rules current. Toward that end, rules are reviewed and when needed are scheduled for amendment. New legislation is also reviewed to ascertain if rules need to be developed or changed. When needed, stakeholders are provided an opportunity to provide input, whether as part of a formal process or informally. This input many times takes the form of being educated on business practices and how technology changes might affect how a rule is, or will be interpreted. Over a four year period, the Department reviews 100 percent of its rules for possible change.

Tax Law Interpretation

In addition to rules development, the Department publishes Excise Tax Advisories and selected determinations resulting from appeals published as Washington Tax Decisions. At the end of each legislative session, the Department publishes summaries of legislative changes to inform taxpayers, tax practitioners, and employees about tax law changes. Internet access to rules and laws is available through a Department site called Taxpedia. Answers to technical advice questions posed by employees are also distributed within the agency. Specific questions regarding tax application posed by taxpayers may be submitted to the Department in writing and will get a response within 10 days of the request.

Current and Ongoing Activities

Property Tax

The Department oversees the administration of property taxation at both the state and local level.

By ensuring uniformity in the property tax administration system the Department keeps the system defendable and equitable to all taxpayers. Activities include appraisal of inter-county businesses, advisory appraisals, publication of educational materials, and conducting workshops and training for county assessors, appraisers, and members of the Boards of Equalization on property taxation.

Goal: Provide Tax Information and Analysis that is Forward – Looking and Responds to the Changing Business Environment

Tax Policy

The Department has a role to help achieve a stable and productive tax structure that state and local governments can depend upon to adequately fund vital government services. Activities that relate to this goal include Department efforts aimed at implementation of the Streamlined Sales and Use Tax Agreement in Washington. This tax issue as well as national interest in Internet taxation, business activity tax simplification, telecommunications taxation, cost apportionment, and a national sales tax, among others, requires the Department to work with other states and national organizations. These include the Multi-state Tax Commission, the Federation of Tax Administrators, Unclaimed Property Tax Administrators, and the International Association of Assessing Officers.

Tax Law Development

The Department works with the Governor's Office, the Legislature, the business community, state agencies, local governments, and other stakeholders to develop tax-related legislation. This activity includes evaluating proposals, bill drafting, and estimating the fiscal impact of proposed legislation. On average, the Department analyzes more than 400 legislative bills each year.

Tax Analysis and Information

Various studies are conducted by the Department that consider economic trends or impacts of legislation. Many of these studies are legislatively mandated or sponsored and may involve partnering with other state agencies, governments, or stakeholders. These studies are used to analyze or measure the impact of legislation, change tax law, or propose new tax laws. Most recently, the Department is being asked to survey businesses and report on the effectiveness of tax incentives.

Performance Assessment

Performance Assessment

Over the years, the Department of Revenue has been recognized for its achievements in many areas. Most recently the Department received the 2006 Federation of Tax Administrators Award for Training in the Best Use of Technology category. This award is presented annually to a state revenue department that demonstrates excellence in the creative development and implementation of effective, innovative, and efficient training programs. Other awards received include; 2004 Governor's Award for Quality and Performance, presented to the Data Warehouse Project Team, and the 2003 Four Star rating from Governing Magazine in the area of tax administration. In addition, the fiscal year 2005 audit report represented the fourteenth straight year in which the Department received a clean audit report from the State Auditor's Office. These types of recognition clearly delineate the Department as a successful, top-performing agency.

In an effort to maintain the highest possible performance, the Department is actively involved in efforts such as:

Recognition of Achievements

Baldrige Assessment
In calendar year 2004, the Department conducted a new Baldrige assessment scoring itself in seven different categories. This was part of a larger effort promoted by the Governor's Office. The seven Baldrige Criteria categories are leadership, strategic planning, customer focus, information and analysis, human resource focus, process management, and performance results. The self-assessment identified Department strengths and opportunities for improvement, with the highest ratings in performance results, information and analysis, and strategic planning. In the future, the Department will continue to use Baldrige framework and participate in the Washington State Quality Award program.

Government Management, Accountability, and Performance (GMAP)
Also as promoted by the Governor's office, and under the direction of the Department's Director, Cindi Holmstrom, internal GMAP meetings have been held throughout fiscal year 2006. Internal sessions are held monthly, and provide management staff the opportunity to see how their programs affect each other, develop ways to work together more effectively, and identify emerging issues for faster resolution.

Performance Measures

Performance measures have been compiled and tracked by the Department for many years. With the ever changing technological advances and legislative decisions, taxpayer needs also change. In response, performance measures must also change. Therefore, the purpose behind a particular performance measure may differ over time. Measures may be designed to manage a particular process, communicate workloads, or to set forth new goals for anticipated outcomes. Measures are also captured at different levels, from being very project specific to monitor work and processes, or at the Department level measures to provide an overall view. Below are a selection of measures that relate to the Department's vision, mission, and goals. Several of these measures have been articulated in the form of an objective in an effort to strive for continued improvement even though results have already shown improvement.

Performance Assessment

Voluntary Compliance Rate
This measure represents the ultimate goal of tax administration–increasing the percent of registered taxpayers that report and pay their taxes accurately and timely. The Department has received attention from revenue agencies across the nation for its ability to reasonably measure this rate. The last study, conducted in 2005, measured this rate at 97.8 percent of taxes due. This was an improvement over the 97.5 percent in 2002, and the 97.2 percent compliance found during a 1996 study.

Taxpayer Satisfaction
Every three years the Department administers a statistically valid Taxpayer Satisfaction Survey. When completing this survey, taxpayers are asked to answer many questions about services, materials, and programs provided by the Department. Taxpayers are also asked to rate the quality of services they receive. One benchmark question is also asked in the survey process–overall satisfaction with the Department. In the last survey, fewer than 14 percent of respondents showed any level of dissatisfaction.

Employee Satisfaction
Employees are surveyed every two years to determine their level of satisfaction in several aspects of their employment. As with the taxpayer satisfaction survey, the employee satisfaction survey contains one overall satisfaction rating as a benchmark. The last survey administered in 2005 showed a 76 percent overall satisfaction rate.

Cost of Collections
For many years, the Department has tracked the cost of collecting every $100 in revenue. While both expenditure and revenue changes affect this measure, the Department believes it represents an overall indicator of efficiency when taken in context with other factors. The calculation also includes Department expenditures for non-revenue collecting activities such as legislation and research. The figure for Fiscal Year 05 was 72 cents per $100 collected.

Enforcement Revenue Production Goal
The Department has committed to generating $423 million in general fund revenue from enforcement activities for Fiscal Year 06. Currently, the Department is meeting this commitment, which is the highest goal the Department has been asked to achieve to date.

Department Support of Statewide Results

Support of Statewide Results

All the Department's seven activities have been designated as supporting the Statewide Results Category of "Improve the ability of state government to achieve results efficiently and effectively." However, because the Department administers tax and other programs that result in revenue collection, it supports every Statewide Result category as well as programs at the local government level.

General fund money collected by the Department in Fiscal Year 2005 totaled $12.9 billion. These collections support various state services including all levels of education, correctional facilities, social services, general government activities, and other programs (activities) that rely on general fund dollars. In addition, the Department also collects a variety of dedicated taxes and fees to fund efforts conducted by the Department of Ecology, Community Trade and Economic Development, the Pollution Liability Reinsurance Trust program, the State Convention and Trade Center, Military Department, and others. Among others, these taxes include oil spill, E-911, tobacco and cigarette taxes, litter tax, refuse collection, hazardous substance, and petroleum products tax.

These collections support all other statewide results categories, which are:

- Improve student achievement in elementary, middle, and high schools
- Improve the value of postsecondary learning
- Improve the health of Washington citizens
- Improve the security of Washington's vulnerable children and adults
- Improve the economic vitality of businesses and individuals
- Improve statewide mobility of people, goods, information and energy
- Improve the safety of people and property
- Improve the quality of Washington's natural resources
- Improve cultural and recreational opportunities throughout the state
- Improve the ability of state government to achieve results efficiently and effectively

In Fiscal Year 2006, the Department also collected and distributed $2.4 billion in local government sales tax revenues to fund local programs.

Department Activity Inventory

State and Local Revenue Collection and Distribution

The Department of Revenue is responsible for the fair, efficient, and uniform administration of state tax laws. Primary activities include taxpayer registration, tax return processing and collection activities, accounting for and distributing state and local tax revenues, and promotion of voluntary compliance through taxpayer education, information, and assistance. These activities are conducted from offices throughout the state and are supported by a statewide computer network.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

The Department provides ongoing education, information, and assistance to taxpayers to promote voluntary compliance, while maximizing the collection of taxes owed on delinquent accounts. Total dollars collected from delinquent accounts and through tax discovery efforts totaled $344 million in Fiscal Year 2005, and are projected to be $346 million in Fiscal Year 2006. Balance due notices paid in Fiscal Year 2005 totaled $149 million, and are projected to be $150 million in Fiscal Year 2006. In Fiscal Year 2005, 87 percent of the 374,422 total calls received were provided assistance. An estimated 302,000 total calls are anticipated in Fiscal Year 2006. $2.3 billion in local tax was collected on behalf of local jurisdictions in Fiscal Year 2005. Local tax collections are estimated to be $2.5 billion, of the $15.8 billion total taxes estimated to be collected in Fiscal Year 2006. At the end of Fiscal Year 2005, there were 718,224 registered accounts on record. 756,599 registered accounts are estimated by the end of Fiscal Year 2006.

Performance Measure

Total enforcement collections (In Thousands).

Fiscal Year 2004 Actual:	$406,202	Fiscal Year 2006 Actual:	$484,139
Fiscal Year 2005 Actual:	$419,633	Fiscal Year 2007 Estimated:	$426,000

Property Tax Administration

The Department of Revenue has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local level. The Department also determines the state school levy; conducts complex appraisals on commercial, industrial, and special use properties; administers property tax exemptions and deferral programs; and provides guidance, training, and assistance on property tax issues to county officials.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

The Property Tax division strives to ensure fair and uniform application of property tax law. In calendar year 2005, a total of $6.9 billion was collected from property tax levies. In calendar year 2006, $1.6 billion state and $5.5 billion local are projected to be collected.

Performance Measure

Process, at a minimum, 85 percent of all exempt property applications and issue determinations within 30 days of receiving all necessary information.

Fiscal Year 2004 Actual:	87%	Fiscal Year 2006 Actual:	66%
Fiscal Year 2005 Actual:	83%	Fiscal Year 2007 Estimated:	85%

Department Activity Inventory

Tax Auditing

The Department's audit function is carried out across Washington State and throughout the United States. Auditors are given one of three assignments: permanent in-state locations, permanently assigned out-of-state locations, or short-term out-of-state tours. The auditors review the records of registered businesses for the proper reporting and payment of taxes. Taxes routinely audited include sales and use, business and occupation, and public utility taxes.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

The Department's auditing function seeks to provide fair and uniform application of tax laws, and promote an optimal level of accurate tax reporting and payment through continuing auditing presence and taxpayer education. The gross dollar value of tax assessments in Fiscal Year 2005 totaled $229.2 million, and is projected at $233.4 million for Fiscal Year 2006.

Performance Measure

Percentage of active reporting taxpayer accounts contacted through audit enforcement efforts.

Fiscal Year 2004 Actual: 2.8%   Fiscal Year 2006 Actual: 2.5%
Fiscal Year 2005 Actual: 2.5%   Fiscal Year 2007 Estimated: 2.5%

Tax Policy Research, Analysis, and Interpretation

Tax policy activities involve coordinating inter Departmental services and providing information and guidance to the public, employees, and all levels of government. Specific functions include preparation of fiscal notes, analysis and drafting of legislation, rule revisions and drafting, forecasting non-General Fund revenues, analysis of proposed changes to tax statutes, and the analysis of tax law changes on small business.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

The Department's objective is to provide accurate, timely, and clear information to enable informed tax policy decisions. One activity that supports this objective is the preparation of accurate and complete fiscal notes. In Fiscal Year 2006, 350 fiscal notes were delivered to the Office of Financial Management, and 450 are estimated in Fiscal Year 2007.

Performance Measure

Review the 471 agency rules in existence on July 1, 2005 by the close of the fiscal year ending June 30, 2009 (four year cycle). Identify those that require amendment or repeal as a result of legislative change, court decision, or business changes.

Fiscal Year 2004 Actual: 27.6%   Fiscal Year 2006 Actual: 29.7%
Fiscal Year 2005 Actual: 27.0%   Fiscal Year 2007 Estimated: 23.6%

Department Activity Inventory

Taxpayer Appeals

The Department hears taxpayer appeals, issues written determinations, renders formal and informal tax law interpretations, negotiates settlements of tax disputes, and executes settlement closing agreements when appropriate.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

The Appeals division goal is to timely resolve tax appeals and provide written guidance on Washington State tax laws. In Fiscal Year 2005, 492 of the 525 appeals received were resolved. The target goal for 2006 is to resolve 90 percent of the estimated 1,230 appeals to be received.

Performance Measure

Clear 90% of mainstream regular appeals that have not been placed in hold status within 1 year of receipt.

Fiscal Year 2004 Actual: 81%   Fiscal Year 2006 Actual: 63%
Fiscal Year 2005 Actual: 66%   Fiscal Year 2007 Estimated: 90%

Administration

Internal services include the cost of overall management of the Department, internal audit, accounting, budget, cash management, facilities management, purchasing, human resources, employee training, quality improvement, and legal services provided by the Office of Attorney General. A significant portion of the costs in this category represent the legal costs associated with the defense of the state's tax system.

Statewide Result

Improve the ability of state government to achieve results efficiently and effectively.

Expected Results

Administrative activities help support successful achievement of the Department's vision, mission, and goals through a variety of internal support functions. In addition, the Department protects the state's interest through successful litigation of tax issues.

Performance Measure

Percentage of taxpayers with a favorable opinion of Department of Revenue employees; includes courtesy and helpfulness ratings.

Fiscal Year 2004 Actual: 71%
Fiscal Year 2007 Estimated: 80%

Performance Measure

Minimize the Department's cost of collecting revenue (Stated in cents per $100 of revenue collected).

Fiscal Year 2004 Actual: 0.73   Fiscal Year 2006 Estimated: 0.71
Fiscal Year 2005 Actual: 0.72   Fiscal Year 2007 Estimated: 0.69

Department Activity Inventory

Unclaimed Property Management

The Department administers the provisions of the State Uniform Unclaimed Property Act. The Department receives the transfer of abandoned property to the state and tries to locate the owners through advertising and providing public access to abandoned property information. The Department's role is to act in the interest of the property owners and return the abandoned property to the rightful owners whenever possible. Examples of abandoned property include utility deposits, insurance policies, safety deposit box contents, dividends, and savings accounts. (Unclaimed Personal Property Account-Nonappropriated)

Statewide Result

Improve the ability of State government to achieve results efficiently and effectively.

Expected Results

In Fiscal Year 2005, 56,473 claims were processes of the 836,471 names reported of owners of unclaimed property. In Fiscal Year 2006, an estimated 323,894 names will be reported of persons that own unclaimed property with an estimated 58,249 claims projected to be processed.

Performance Measure

Percentage of monetary claims processed within 10 days of receipt.

Fiscal Year 2004 Actual: 86%*   Fiscal Year 2006 Actual: 35%

Fiscal Year 2005 Actual: 47%*   Fiscal Year 2007 Estimated: 80%

Percentage of monetary claims processed within 30 days of receipt.

Performance Measure

Percentage of unclaimed property dollars returned.

Fiscal Year 2004 Actual: 29%   Fiscal Year 2006 Actual: 37%

Fiscal Year 2005 Actual: 25%   Fiscal Year 2007 Estimated: 35%

Initiatives

Initiatives

*Make Conducting Business with the
Department as Clear and Simple as Possible*

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Internet Web Site Enhancement

Strategy: Ensure customers have access to information and educational materials that are clear and easy to understand.

Background: The Internet is quickly becoming the preferred method for taxpayers to communicate and conduct business. According to New Internet research, 65 percent of all Americans expect government information to be on the web, and 77 percent of Internet users use e-government.

This data is also validated by the taxpayer feedback solicited through the 2005 taxpayer satisfaction survey. Survey results showed an increase of Internet users as measured from the 2002 survey. Overall the percent of taxpayers using the Internet grew by 30 percentage points. The Department believes usage will continue to grow.

During the 2005 roundtable focus group meetings, the Department heard from business owners, representatives from Washington's business associations, and local government about the importance of the web. The Department received positive comments on its web site. Participants also shared information on how the Department can better leverage this technology and make usability testing a routine practice.

Solution: Design a usable and visually pleasing website that meets both user needs and expectations, and organizational goals.

Since August 2005, the Taxpayer Services division has utilized a systematic process called user-centered design. This model-driven approach places users and their needs at the center of the website development process. Information has been gathered from online and paper surveys, server log data, and by a card sort study to help better understand who the visitors to the website are, how they use the site, and what information and services they need.

The next step is to incorporate user feedback with usability techniques that will help refine a final website design that focuses on the user experience and site performance. In relation to actual website design, the next step involves developing mock-ups and further refining the new site. After completion of this prototype phase, a final design will be adopted and content will be migrated from the current to the new website.

Lead Division: Taxpayer Services

Participating Divisions: Taxpayer Services and Information Services

Start Date: August 2006   **Finish Date:** April 2008

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Enterprise Business Portal

Strategy: Promote and participate in statewide approaches for delivery of state services.

Background: Businesses and individuals face a bewildering array of licenses, permits, taxes, fees and other regulations. Many agencies, including the Department of Revenue, have created web sites to make it easier and more convenient to access information and conduct business. Businesses and individuals must go from site to site to understand their obligations and reporting requirements.

On February 10, 2006, Governor Gregoire issued Executive Order 06-02 directing agencies to make improvements in the permitting, licensing, regulatory, and tax collection processes. The executive order directs agencies to develop a one-stop business portal. As the Department heard from its statewide 2005 business roundtable events, the business community is supportive of this effort.

The initiative is a multi-agency effort involving state agencies responsible for permitting, licensing, regulation and tax collection. Launched February 28, 2006, release 1 of the project helped establish the "doing business" section of Access Washington as the state's business portal. The business portal home page and link pages were updated and participating agencies added links onto their websites.

Release 2.1 was launched in May 2006. The scope of the project included branding, enhancing the portal's look, feel, and navigation, enhancing the remaining service paths, and establishing an interview capability.

Solution: Continued implementation of the Enterprise Business Portal will require Revenue and other agencies to continue to make improvements to their websites. The goal is to make it easier for users to navigate within the Department's website, to the business portal, and to other agency websites. It is also possible that the Enterprise Business Portal will drive changes in Department applications.

Revenue will also continue to be involved as a major participant in further enhancements to the Enterprise Business Portal. The enhancement will include making navigation easier, conducting usability testing and making needed changes, and incorporating more information.

Lead Divisions: Taxpayer Services, Taxpayer Account Administration, and Information Services

Participating Divisions: Taxpayer Services, Taxpayer Account Administration, and Information Services

Start Date: August 2006   **Finish Date:** August 2009

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Electronic Systems Availability

Strategy: Promote and participate in statewide approaches for delivery of state services.

Background: The Department relies heavily on automated business functions. The number of services provided directly to the public through electronic means has significantly increased in recent years, and will continue to increase in the foreseeable future. The volume of usage by Department customers has also risen dramatically. This situation requires an electronic environment without service interruptions due to routine system maintenance, self-inflicted or externally caused system outages, and natural disasters. Currently, the following concerns within the Department exist:

- Finding times when applications hosted on the HP Nonstop server can be brought off-line for maintenance without affecting Department users or the public is difficult
- Recovery of core business functions in the event of a natural or self-inflicted disaster may not be possible in a timely fashion
- The current HP Nonstop server acts as a development, demonstration, and production machine. Using this configuration, it is currently possible for work in the development and demonstration environments to reduce system performance in the production environment

Solution: To address the concerns detailed above, the Department will research, plan, and implement needed redundancy into its technology infrastructure. This site would be used during maintenance, in the event of a disaster, and as a development and demonstration environment for the HP Nonstop server. To build the redundant processing site, the Department will determine the technical specifications as well as a detailed cost proposal, and purchase necessary hardware and software as part of the implementation plan. The plan will also address areas such as: identification of core business functions and their underlying applications and infrastructure, communication needs, and installation, testing and training requirements.

Lead Division: Information Services

Participating Divisions: Information Services and Business & Financial Services

Start Date: August 2006   **Finish Date:** August 2007

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: County Tax Warrant Filing

Strategy: Use technology to make it easier for customers to conduct business in a secure environment.

Background: King County recently implemented an electronic filing system enabling some court documents to be filed electronically. Employment Security completed a successful pilot, and as a result, King County suggested that the Department of Revenue begin filing tax warrants electronically as well.

Currently the Seattle, Bothell, and Kent offices all send a warrant clerk to the court each week to handle the filing of tax warrants. Other offices send staff to the courthouse less frequently. Turn around time is within 24 hours of receipt for filings to be posted. Implementation of this filing system would create a time savings for employees and increase overall efficiency. As additional counties begin to offer electronic filing, the Department would be ready to implement their programs.

Solution: The Compliance division will work with King County to pilot an electronic tax warrant filing program. As part of the arrangement, King County has offered to train Department employees on how to use the system.

The project will require that all necessary filing documents be in the proper format and that new electronic filing forms be accessible by revenue agents.

Once this project has been piloted and implemented with King County, the Department will begin to work with the various county clerks to determine if electronic filing is already available in their county or to see if they would be willing to implement a similar program.

The eventual goal is to engage all counties into this process which would enable one filing to be made in all counties at once. This would eliminate the need for abstracts to be filed, and would protect the state's interest by filing liens in all counties throughout the state. If a taxpayer owned property in a county other than where they live or have a business, the tax lien would be protected.

Lead Division: Compliance

Participating Divisions: Compliance, Special Programs, Information Services, Taxpayer Account Administration, and Business & Financial Services

Start Date: July 2006   **Finish Date:** July 2007

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Online Taxpayer Account Information

Strategy: Use technology to make it easier for customers to conduct business in a secure environment.

Background: Taxpayers, or their authorized representatives, who want to know the status of a taxpayer's account must submit a tax status request to the Department. These requests are received either by mail, fax or through the Department's online services secure messaging. Tax status requests are assigned to examiners in Taxpayer Account Administration and are responded to within 24 hours of receipt. The result is a tax status letter that is issued to the taxpayer or their authorized representative. A majority of these requests are straightforward, and can be fulfilled with a list that shows the outstanding returns, receivables invoices, or issued credits.

Solution: Enhance the Department's online services environment by enabling taxpayers or their authorized representatives the ability to view the status of the taxpayer's account. This would include the listing of outstanding returns, receivables invoices, and issued credits. Currently only E-file taxpayers can access any outstanding returns or issued credit information online.

The goal is to provide the taxpayer, or their representative, the ability to generate a tax status letter from the Department if no unresolved transactions exist on the account. If the account has unresolved transactions, the tax status request would be forwarded electronically to a Taxpayer Account Administration employee for assignment, resolution and response.

Lead Division: Taxpayer Account Administration

Participating Divisions: Taxpayer Account Administration, Taxpayer Services, and Information Services

Start Date: August 2006   **Finish Date:** January 2007

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: E-file Application Upgrade

Strategy: Make it easier for taxpayers to report and pay their taxes.

Background: Since the development of the E-file application, technology and user demands have changed significantly. A recent survey showed that E-filers, overall, are happy with the functionality of the application. However the look and feel of E-file has remained the same since its initial launch years ago. Through surveys and usability testing the Department is learning more about web use behavior and expectations. If the E-file website does not meet user expectations at any time, the risk is that they will not want to return and use the system.

In order to keep up with current trends in web page design and to further enhance user experience, updating the look and feel of the E-file application is needed.

Solution: Update the look and feel of the E-file application by creating a more user friendly interface that makes the application easier to navigate. This initiative would include the updating of general screen layout, and streamlining menus.

The actual fields the taxpayer uses to input tax information would not change as part of this initiative.

Lead Division: Taxpayer Account Administration

Participating Divisions: Taxpayer Account Administration, Taxpayer Services, and Information Services

Start Date: May 2007　　　　　　　　　　**Finish Date:** April 2008

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Payment Options in Field Offices

Strategy: Make it easier for taxpayers to report and pay their taxes.

Background: The Department provides electronic payment options to taxpayers who file their taxes electronically, and in limited circumstances to those who mail in their return. However, these electronic payment options have not been expanded to the field offices for taxpayers who walk in and want to pay their taxes. Currently, payment options available to taxpayers paying their taxes at a field office are limited to paying by cash or check.

Even though debit cards were piloted in a couple of field offices with limited success a few years ago, there appears to be a growing demand for additional payment options by taxpayers wanting to make payments at a field office. In addition, Department staff are continuing to see the benefits of reducing the volume of cash and checks flowing through the various field offices, whether it is through centralized payment processing or the use of electronic payment means.

To further this case, debit and credit cards are increasingly being used by government as a form of payment as well as Internet payments. In the Department's online environment, Discover, American Express and E-check payment methods are used. In the near future, the Department expects to be accepting Visa and Mastercard.

Solution: Conduct a feasibility study for the acceptance of additional payment methods in field offices. The study should include potential usage, implementation including issues and priorities, and a discussion of how options relate to other Department efforts associated with payment processing. If determined to be feasible, develop and implement processes and systems that will allow taxpayers to pay their taxes by debit or credit cards at Department field offices.

Lead Division: Compliance

Participating Divisions: Compliance, Taxpayer Account Administration, Information Services, Business & Financial Services, Audit, Taxpayer Services, and Special Programs

Start Date: September 2006   **Finish Date:** December 2007

Goal: Make Conducting Business with the Department as Clear and Simple as Possible

Initiative: Cigarette Distributor Reporting Automation

Strategy: Make it easier for taxpayers to report and pay their taxes.

Background: As a result of the master tobacco settlement legislation, the Department currently receives reports from cigarette and tobacco distributors that sell non-participating manufacturer cigarette brands within Washington. These reports are in paper form and are sent in monthly. When Special Programs receives the paper reports, they manually enter the sales data into a web based program. Spreadsheets are then prepared and forwarded to the Attorney General's office for administration of the tobacco settlement.

Solution: Develop a new, web-based system that would enable tobacco distributors to enter or upload their non-participating manufacturer reports directly to the Department. The system would also facilitate data and reporting requirements, and allow for direct access by Special Program's staff, the Attorney General, or other users once the data is available.

Lead Division: Special Programs

Participating Divisions: Special Programs, Attorney General, and Information Services

Start Date: April 2007   **Finish Date:** July 2008

Initiatives

*Recruit, Develop, Retain and Value
a High Quality, Diverse Workforce*

Goal: Recruit, Develop, Retain, and Value a High Quality, Diverse Workforce

Initiative: Diversity Program

Strategy: Use proactive methods to attract and retain highly qualified and diverse employees.

Background: The composition of the state workforce continues to change, reflecting an increasingly diverse population. Diversity strengthens the Department through a broader range of ideas, perspectives and the rich tapestry of cultural history and experience, improving our ability to serve the public. To achieve diversity, the Department has cultivated a work environment that values and promotes cross-cultural respect, understanding and inclusion. From this foundation of diversity, the Department seeks to broaden its workforce diversity profile through a concerted program of recruitment and retention as well as outreach and collaboration efforts.

Solution: Develop a systemic program that will increase the diversity of the Department's workforce and the long-term retention of a highly qualified, skilled, diverse employees.

Lead Division: Human Resources

Participating Divisions: All Divisions

Start Date: July 2006

Finish Date: June 2008

Goal: Recruit, Develop, Retain and Value a High Quality, Diverse Workforce

Initiative: Training Program Coordination

Strategy: Develop employees' skills, knowledge, and abilities through training and education.

Background: Department employees are able to obtain training from a variety of providers: the Department of Personnel, the Department of Revenue, and outside commercial vendors. Because technical training is coordinated within each division, at times, training is given that other divisions have either wanted to attend or conduct themselves. In an effort to be time efficient and cost effective, the Department should explore consolidating the efforts of each division into a Department coordinated training system, to which each division can contribute and share as needed.

At the Department level, providing up-to-date, effective general employment training to employees and supervisors is critical to the Department's success. Currently, the core curriculum of Department-designed and conducted essential or required employee and supervisor classes is currently being revised to reflect the changes in the state's personnel system, labor relations, and federal and state laws. As the revised classes are produced, they are being delivered in a classroom format. To expedite the delivery of essential or required training, as well as the delivery of other critical training to employees generally, an online format, using the latest technology and methods, needs to be developed and implemented.

Solution: The expected result would be to have a formal Department training system that all divisions and employees could use, with division specific training, as well as Department-level courses. At a minimum, the consolidated plan would include classes that all employees are required or recommended to take (i.e., Discrimination prevention, sexual harassment, ethics, cross-training, etc.) The final consolidated plan would then be posted in an easy to find place on the Department's Intranet, so that any employee could determine what classes they need to take. Other features of the system could include a training report or profile that indicates when an employee has not taken required training classes. The system may also include a collection of interactive, online courses, designed in chapters for easier updating, with online testing and certification as necessary.

Lead Division: Human Resources

Participating Divisions: All Divisions

Start Date: January 2007   **Finish Date:** September 2007

Goal: Recruit, Develop, Retain, and Value a High Quality, Diverse Workforce

Initiative: Succession Management and Workforce Development

Strategy: Prepare for workforce transitions through succession planning.

Background: Washington State demographic trends point toward increasing retirement rates among experienced, professional employees. In state government, this trend emphasizes the need to invest in employee development and grow talent from within the Department. The combination of these factors highlights the importance of developing and adopting a comprehensive strategic succession plan, with an emphasis on cross-training, mentoring, and the development of leadership, supervisory, and management skills. The Department must have a deliberate means of knowledge transference for core agency business functions and processes.

Solution: Design and implement a succession plan for workforce development and management. The plan would foster the continued enhancement of our leadership and performance-based workforce culture at revenue, including the development of a system for promotional growth and succession.

Lead Division: Human Resources

Participating Divisions: All Divisions

Start Date: August 2006   **Finish Date:** April 2007

Initiatives

*Seek Efficiency, Improvement, Innovation,
and Accountability in Department Programs*

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Information Technology Architecture

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: The Department currently maintains a diverse infrastructure which includes applications written in several languages that exist on three primary platforms: the IBM, HP Nonstop, and HP windows servers. The Department faces a number of critical business issues related to this architecture and computing infrastructure.

The impact of having a diverse infrastructure has been increasingly felt in recent years. Impacts have included: 1) the reduced availability of workers with knowledge in the older technology and business uses related to these systems; 2) increased difficultly in changing the applications to respond to meet business needs; and 3) the need to explain errors more frequently to taxpayers, and make corrections when errors occur.

Business problems caused by the Department's infrastructure can be grouped into high-level categories including financial, personnel, management, and technical. Financial problems relate to the cost of purchasing, licensing and upgrading hardware and software of this diverse nature. Personnel problems relate to the necessity of hiring and training information technology staff with a diverse skill set. They also include a dwindling number of staff entering the labor market with skills in technologies such as IBM and HP Nonstop COBOL and the knowledge needed for maintaining the associated platforms. Management problems include scheduling and efficiency issues related to the diversity of skills and knowledge needed to be productive within the Department's computing environment. There are numerous technical challenges to maintaining and integrating a diverse infrastructure. Integration points introduce the potential for failure and latency between applications. Additionally, the complexity of the applications combined with the way they have evolved over the years has left them difficult and inefficient to use, and risky to change.

Solution: Determine and implement the best architecture solution for the Department and the associated infrastructure. This infrastructure, once implemented, would include software languages, hardware platforms, and business applications.

To achieve these results, the Department will begin by planning the new architecture. This plan will include specifications for the new architecture and an implementation plan. After the initial planning phases, a pilot project will be undertaken to move an existing system to the new architecture. At the conclusion of the pilot, the plan will be adjusted based on lessons learned. An iterative approach of migration will then be undertaken to move the remaining systems to the new architecture. These iterations will be planned in short cycles to allow reassessment and go/no-go decisions. Initial priority candidates for migration include the local tax system, excise tax data on the IBM, and the summary of cash receipts.

Lead Divisions: Taxpayer Account Administration and Information Services

Participating Divisions: Taxpayer Account Administration, Information Services, and Research

Start Date: August 2006   **Finish Date:** August 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Quality Program Enhancement

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: The Quality Program has evolved at the Department. Total Quality Management unfolded into quality improvement, and is progressing towards performance excellence in management. As the Department makes this shift, the Quality Program must be updated to meet evolving needs.

An interdivisional working team will ensure that the scope, role, and interdependence of the Quality Program contribute to the institutionalization of quality principles and a culture where innovation and growth are paramount. Every Department of Revenue employee has a role and responsibility in ensuring quality services. We build upon this accountability through decisions based on data and effectively telling our stories.

Solution: Establish a working team to create an integrated Quality Program that builds efficiencies and maximizes resources. The Program will continue to develop Department capacity for quality teams, effective facilitation and employee recognition. Quality will be the focal point – the team will concentrate on integrating quality, efficiency and relevancy into accountability tools. Team members will receive specialized training and be required to perform Department-wide assignments.

The working team will have multiple roles:

- A first component to align the requirements of House Bill 1970 and ensure that the Department of Revenue parlays the processes beyond compliance to a tool for continuous improvement. This component will incorporate the lessons from the WSQA examinations into Department business and performance measures. It will also develop the monitor/maintenance plan for the implementation of improvement processes and future WSQA applications.
- A second component to advise the biennial Employee Satisfaction Survey project. This will include significant updating of the survey tool prior to administration, reviewing the plans for employee feedback, and developing the monitor and maintenance plans for the agency priorities.
- A third component to assess the integration of the various initiatives in the agency such as Government Management Accountability and Performance (GMAP), Employee Satisfaction Survey, WSQA, etc. to ensure a comprehensive approach to achieving overall quality and performance management principles.

Lead Division: Organizational Development

Participating Divisions: All Divisions

Start Date: July 2006　　　　　　　　**Finish Date:** On-Going

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Brokered Natural Gas Tax Reporting

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: There are currently 230 taxpayers reporting brokered natural gas tax on a quarterly basis. Because the taxpayer base in so small, historically the tax program information has been maintained on a stand alone computer system written in Access. Therefore, the process of entering the quarterly tax returns, maintaining taxpayer information, and issuing tax balances is time consuming and cumbersome. Also, having the brokered natural gas accounting on a stand alone PC program presents a greater risk of potential accountability issues. The process does not have the checks and balances that are built into the mainframe excise tax system; thereby, increasing the potential for undetected errors.

Solution: Move the brokered natural gas tax processing program to the excise tax system. The tax will be entered using the current data entry processes, a broader base of personnel will have accessibility to the system to share the workload, and balances will be issued using the current balance due process. Mailing of tax returns will be within the excise tax process and will no longer have to be done manually. The checks and balances that are built into the excise tax system will be utilized reducing the risk of undetected errors.

Lead Division: Taxpayer Account Administration

Participating Divisions: Taxpayer Account Administration, Information Services, Business & Financial Services, and Audit

Start Date: October 2006   **Finish Date:** March 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Geographic Information System Enhancement

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: Each year approximately 375 centrally assessed companies must report their real and personal property assets within each county and within each of the approximately 1,900 taxing jurisdictions. Historically, this process has been accomplished through a manual process that is very time consuming.

Utility companies use the Department's Geographic Information System (GIS) and paper maps to annually identify the physical locations of their property. This information is then used by the companies to compile annual reports identifying the physical location of their property. The Department then uses these reports to manually update the information in our centrally assessed property system for apportionment purposes.

Taxing district levy rate information is currently available on a district basis in the statistical publication "Property Tax Statistics." The publication does not provide the ability to determine the overall property tax rate on a specific property; currently, only the county assessor has this information. As a result, the property tax division is unable to answer questions regarding specific property levy rates.

Inclusion of tribal and public timber boundaries are other enhancements that have been identified.

Solution: Continue enhancements to the Department's GIS to meet current and expanding needs. These enhancements could include:

- Plot assets of centrally assessed utilities into a GIS to streamline the apportionment of each company's value to the appropriate taxing district.
- Create an electronic filing process to transmit and receive asset location data.
- Streamline and improve the process for updating city annexations.
- Create a statewide property tax rate look-up application that gives a user the ability to search a statewide map by address and determine the levy rate and associated taxing districts.
- Increase the usability of all GIS Internet applications by increasing the speed, and look and feel of each application.
- Take a leadership role in working with both state and local officials in setting and creating a uniform technological platform for using Geographic Information Systems.

Lead Divisions: Property Tax and Information Services

Participating Divisions: Property Tax, Information Services, Taxpayer Account Administration, Research, and Taxpayer Services

Start Date: August 2006   **Finish Date:** August 2006

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Estate Tax Reporting System Enhancements

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: The federal "Economic Growth and Tax Relief Reconciliation Act of 2001," enacted in April of 2001, changed the relationship between the federal government's estate tax and Washington's estate tax. Up to that time, estate tax administration was principally a manual process. This simple system was adequate because of the state's reliance on the federal estate tax program. The federal program provided the Department notification of a pending estate and the information necessary to administer the state's program.

The separation of the state estate tax from the federal estate tax meant that the Department would need to develop systems to support the "new" program. The Department set out in the July 2002 - June 2009 Strategic Business Plan a two phased initiative to meet program needs. Phase one was completed in December of 2002 with the development and implementation of a web-based database that allowed easier access to partial return data and provided for limited functionality.

Phase two included expanding the application to capture all return data and enhance features and functionality including integration of receivables and refund systems. The process used existing Department systems to process the receivables and refunds, establish financial information for payments and implement an audit trail to increase accounting controls. Phase two was implemented with basic functionality in April 2006.

Solution: Implement phase three of this plan and refine the business rules, reports and letters; complete tax, interest, and payment calculations; and build processes that are more efficient and user friendly, while incorporating business rules that fully implement the new program requirements. The following results are anticipated:

- Improve data quality and security
- Improve financial information and audit trail
- Maintain reliable historical records for individual estates
- Minimize manual report and review efforts
- Increase efficiencies in Department operations
- Ability to provide data to answer questions posed by Research, the legislature and other stakeholders
- Automate portions of the process to include calculations, generation of letters and other features to streamline workloads.

Lead Division: Special Programs

Participating Divisions: Special Programs, Information Services, Legislation & Policy, Business & Financial Services, Taxpayer Services and Research

Start Date: August 2006   **Finish Date:** August 2008

Goal: Seek Efficiency, Improvement, Innovation, and Accountability In Department Programs

Initiative: Collection System Modernization Study

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: The Automated Collection System tracks over $350 million in delinquent receivables each fiscal year, and that amount doubles when you consider receivables that are converted and subsequently reassigned. The Automated Collection System is the primary system used for tracking assignments and collection of delinquent accounts by Compliance and Special Programs. It utilizes a system of work "queues" and random assignments within some geographic and case-complexity scoring parameters. Agents are responsible for collecting the delinquencies in their assigned queues. The Automated Collection System was originally implemented in 1993 and is a TANDEM-based mainframe system.

The current system does not accommodate today's need to extract trends and data for the purpose of identifying efficiencies and procedural improvements such as predictive modeling, tracking the effectiveness and utilization of different collection tools, or aging and turnover of accounts.

Additionally, past automation efforts have inadvertently caused field agents to be required to spend more time tied to their desks and computers. Modernization of the Automated Collection System should also include consideration of wireless options available today or on the horizon for tomorrow so agents are able to work as effectively in the field as they can at their desks.

Solution: Study the changes needed to make the Automated Collection System a viable 21st Century, state of the art, web-enabled system that meets the Department's needs. The changes should include: dynamic, flexible data trending and analysis that includes predictive modeling; improved user interfaces so that information that is vital to an agent's ability to collect is readily available and accessible; secure and fast wireless solutions supporting agents' field work efforts; and, expandability, flexibility, and adaptability to emerging and future challenges.

Based on the completed analysis, search for and compare available options to proceed with modernization or replacement of the Automated Collection System.

Lead Division: Compliance

Participating Divisions: Compliance, Special Programs, Information Services, Taxpayer Account Administration, Taxpayer Services, Audit, and Research

Start Date: July 2006

Finish Date: July 2008

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Telecommunications Review

Strategy: Enhance Organizational Efficiency and Continuity Through Process Improvements and Technology

Background: The Department currently uses a number of diverse and incompatible telecommunication systems. Many of these systems need to be replaced because they are obsolete and are no longer supported by the vendor community. Because these systems will need to be replaced, an opportunity is created to research the option of replacing current systems with a network driven telecommunication (IP telephony) system. The IP telephony system would provide the ability to leverage the existing data network, use existing network staff for support, and save on long distance costs.

Solution: The scope of the telecommunications review project will entail a study including a pilot project, with the result of providing recommendations of what telecommunication solution best meets the Department's needs. The following steps will be conducted:

- Perform a system Audit between current network infrastructure and required network infrastructure to support IP telephony
- Perform a pilot project in the Port Angeles and Vancouver field offices to determine the viability, stability and cost effectiveness of the technology
- Provide a report that outlines options, related costs and benefits of various solutions
- Implement the best course of action for the Department

Lead Division: Information Services

Participating Division: Information Services

Start Date: August 2006   **Finish Date:** August 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Unclaimed Property E-claim System Enhancements

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: In March 2006, the Unclaimed Property (UCP) program implemented an Internet application that allows for the automated submittal of UCP owner claims. This application allows the public to search an online database and file claims online.

Now that the application is online, enhancements are needed. These enhancements require improvements and additional features to the existing application. The two areas currently identified are:

1. UCP Claim Notifications - Each year UCP mails 50,000 to 100,000 owner notices to the last known address as shown on the database. The law requires the Department to mail these notices to any owner of property exceeding $75. Currently, if the form is received by the owner, they would photocopy the required information and mail their claim to UCP. UCP then manually reviews the claim prior to approval.

2. UCP Payments to Claimants - When UCP pays the owner claims, a warrant (check) is sent via U.S. mail.

Solution:

1. Assign an online claim reference number when owner notices are mailed as required by law. The owner/claimant could then go to the Internet and use the reference number to access and file the claim online. This would result in the reduction of paper handling, improve the accuracy of information and expedite the claims process. Owners would still have the option of copying their information and mailing in their claim.

2. Enhance the e-claim system to allow claimants the ability to have funds directly deposited into their bank account.

3. Incorporate other changes or new enhancements that are identified.

Lead Division: Special Programs

Participating Divisions: Special Programs, Business & Financial Services, and Information Services

Start Date: August 2007   **Finish Date:** June 2008

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Program

Initiative: Financial Programs and Systems Improvement

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: Financial and Business Services continues to rely on automated systems to manage increasing workloads and meet time sensitive deadlines for clear and accurate information. Several systems and processes in the division are outdated and do not meet current business needs. Utilizing current technology, the systems could be enhanced to more effectively deliver needed information and meet the needs of staff and the Department.

Solution: In-House Revenue System – Financial Management is reassessing the need for a new system. The current system is more than 15 years old and very outdated. The review will assess the system, current business needs, other available financial tools, and will result in recommendations for elimination or upgrade of the system.

Purchasing Automation – Review the use of imaging technology for the purchasing process. This technology is already used in the payables area and if warranted would be expanded to purchasing activities. If pursued, this change would provide imaging and routing of purchasing documents and approvals with the goal of making the process more efficient. At the same time, enhancements to the payables system will be made.

Warehouse Automation – Create a team to study options to create a web-based application for ordering forms, envelopes, and other items stocked in the warehouse. The team should consider improvement opportunities in the warehouse inventory function including a notification process when stock levels reach a re-order point, the potential for a centralized location for service requests placed with the warehouse staff, and a place to list surplus items available for redistribution.

Lead Division: Business & Financial Services

Participating Divisions: Business & Financial Services, Taxpayer Services, and Information Services

Start Date: August 2006   **Finish Date:** March 2008

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Forest Tax System Rewrite

Strategy: Enhance organizational efficiency and continuity through process improvements and technology.

Background: Over the last few years, the Department has been upgrading the Forest Tax System. Tax return processing is the last phase of this long-term conversion. Forest Tax has moved off of the IBM mainframe into a more modern computing environment. These improvements have included moving the data entry systems off of the Pertec and into an interactive Web-based system, and most recently, combining the Permit system (where Department of Natural Resources cutting permits are assigned to taxpayers) with the Log Export and Valuations systems. Combining systems and moving to a Web environment was the second phase of the conversion and has provided staff with faster access and online abilities that they did not possess in past years.

The next stage of the Forest Tax Program's tax return system will be to move it from the Tandem online screen environment to a Web based platform. This will provide one environment for Forest Tax staff to work in as opposed to two, and will enable staff to have the complete "picture" of Forest Tax accounts whether they are processing tax returns, making adjustments, entering new permits or updating log export information.

Solution: Implement the final stage of a cohesive Forest Tax system to access Forest Tax Permit, Log Export, Valuation, and Tax Return information.

Lead Division: Special Programs

Participating Divisions: Special Programs and Information Services

Start Date: July 2007   **Finish Date:** July 2009

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Program

Initiative: Data Warehouse Enhancements

Strategy: Develop and use data and information to make better decisions.

Background: The Data Warehouse was designed as a multi-phased project that would improve the Department's ability to make informed decisions relating to enforcement activities. The information currently available in the Data Warehouse includes internal information from the Business Registration Management System, Excise Tax System, Taxpayer Accounts Receivable Information System, Credit Management System, Employment Security wage information, and Internal Revenue Service reporting data. This information has provided an invaluable foundation for decision-making. To further enhance usability and provide continuing value the information in the Data Warehouse needs to be refined and expanded to be of further benefit and useful as a source of information for the Department.

The existing Data Warehouse can be better utilized by adding additional Department and third party information to make better management decisions.

County Assessors are responsible for the assessment of personal property in the state. Personal property is self-reported and some businesses are unaware of their need to report this information. County Assessors do not have the data to know when a business starts or closes within their county; however, the Department of Revenue does have this information.

Solution:

Part 1: With the oversight of the steering committee, expand the development of the Data Warehouse to aid the Department in managing, integrating and analyzing data. This would include:

- Identification of unregistered and noncompliant taxpayers through additional queries and data sources; and providing for "ad hoc" matching of external lists
- Identification of process efficiencies through the inclusion of data elements to analyze the collection process from the initial tax return through final disposition
- Creating additional reports and queries for performance measures
- Developing tools and information to aid Department research functions involved with fiscal notes, studies and forecasts and predictions of how legislative changes or external factors influence/impact revenue
- Aiding Predictive modeling to analyze taxpayer behavior including compliance trends and methods to project delinquencies and non filing

In addition, potential introduction of the following data to the Data Warehouse:

- Information from other state agencies, counties and cities such as vehicle, drivers and professional licenses; real and personal property tax records; Labor and Industries data; and voters registration data
- A data repository of taxpayer information such as resale certificates, and vendor lists
- Internal information from the Automated Collection System including taxpayers who are delinquent in either filing and/or paying their taxes

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

- Error and out of balance returns and balance due notices
- Local sales and use tax; lodging and other miscellaneous taxes

Part 2: Respond to the County Assessors' need to discover unreported/untaxed personal property with a pilot project. The goal of the project would be to help the counties identify what businesses are active within a county but have failed to report personal property. The project would include matching County Assessor information against existing Data Warehouse information such as business registration information, IRS information and Employment Security information. Once these businesses are identified, the Department would then send letters to the businesses educating them about their responsibility to report personal property to the county.

Lead Division: Audit

Participating Divisions: Audit, Compliance, Research, Special Programs, Property Tax, Taxpayer Account Administration, Taxpayer Services, Business & Financial Services, and Information Services

Start Date: August 2006   **Finish Date:** August 2008

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: County Property Tax Data Management

Strategy: Develop and use data and information to make better decisions.

Background: Property tax data is reported to the Department in a number of formats from the 39 county assessors and treasurers that administer the tax locally. Data includes a wide range of information including, but not limited to: real and personal property counts; total assessed values, new construction values, taxing districts values; and levy rates, number and type of exemptions, assessor staffing levels and workloads. The data is largely obtained via a number of report requests that are mailed from the Property Tax and Research divisions to each county at various times throughout the year. The purpose of this project is to reduce the time in which information is captured and available to employees and customers.

Two phases of enhancing this process have already been conducted. Phase 1 - The cataloging of currently requested property tax data requests; including type of format, content, timeframe, requesting party, amount of input required, as well as the format and location the data is currently stored. Phase 2 - The identification and selection of the tools that provide the most effective and efficient means of storing, sharing and analyzing the data that is available.

Solution: Phase 3 - Implement and test the selected system to capture county property tax data in stages. Stage one of implementation will include the basic database with uploaded spreadsheets and will provide basic sort and query functions and basic reporting functions. Stage two of implementation is set for April 2007. This stage will involve conducting a post implementation user analysis to critique the system. Enhancements will be identified and math calculations will be further defined.

Lead Division: Property Tax

Participating Divisions: Property Tax, Research, Information Services, and Special Programs

Start Date: August 2006   **Finish Date:** March 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Unclaimed Property Holder Account Management

Strategy: Make information readily accessible to employees and customers.

Background: Unclaimed Property currently has no unified system for tracking delinquent accounts, billings, or assigned audits; nor is there a systematic process for selecting accounts for audit. Currently,

- The delinquent list is kept on an Excel spreadsheet.
- Partial payments are manually tracked if a holder (business) does not completely pay the funds owed to the state.
- Audit tracking is currently done in an Access database.
- There is no correlation between the Access file and the mainstream audit system on Tandem in order to determine which accounts should be selected for audit.
- Audits issued by Unclaimed Property are not tracked through a receivable system.

Solution: Purchase or develop a system for tracking Unclaimed Property holder accounts. The starting point for the initiative will involve the Special Programs division conducting a review of other states to see how they handle similar functions in their Unclaimed Property programs. Information gathered in this review will assist in establishing "best practices" to incorporate into the new account management system.

Once this phase is completed the Special Programs division will: 1) determine any additional functionality required such as the ability to track audit assignments or enhance audit selection, 2) research the availability of an existing system, 3) determine if Unclaimed Property could be added to the Taxpayer Accounts Receivable Information System, and 4) evaluate the benefits of purchasing versus developing a system in-house.

Lead Division: Special Programs

Participating Divisions: Special Programs and Information Services

Start Date: August 2006   **Finish Date:** August 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Employee Intranet Resource Center Redesign

Strategy: Make information readily accessible to employees and customers.

Background: The current Employee Center website has a wide range of employment-related information. However, in order to make the information more accessible and understandable, the Center needs to be reorganized and expanded, using multi-media, interactive content.

Solution: Redesign, reorganize and expand the current information center to serve as a communications hub for employees. Features will include an online "New Employee Orientation" for new employees, supervisors and managers, and a Human Resources newsletter. The redesign will include new webpages regarding specific topics, such as ethics, recruitment and retention, labor relations and employee wellness.

Lead Division: Human Resources

Participating Divisions: Human Resources, Business & Financial Services, and Taxpayer Services

Start Date: July 2006   **Finish Date:** June 2008

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Tax Assessment Tracking System (Phase 2)

Strategy: Make information readily available to employees and customers.

Background: Currently, once an audit is selected by a manager and they have requested an audit number, a screen in Tandem shows their name. Until the auditor requests a transcript for the account, there is oftentimes no identifier in Tandem that indicates who has a particular audit assignment. While there are various ways to determine who has a particular assignment; it would be more efficient to have the information in a place that is readily accessible to any employee. In addition, there is currently no way to determine the ultimate disposition of all audit assessments.

Solution:

Part 1: This initiative will allow users to track the ultimate disposition of an assessment.

Part 2: Focus on tracking assignments in process prior to the creation of assessments, refunds requested, and issued assessments that have been appealed.

When completed, employees will have the ability to locate an assignment at any time prior to assessment. There will be one system in place that will track an account from the date of assignment, through the work flow process, to issuance, through Appeals if an assessment is appealed, and with any other division that may be working the account. This system will be "real-time" information and easily accessible by any Department employee and will indicate the status and location of the assignment.

Included in this initiative will be the ability to have audit work queues at various stages of review accessible from various locations. This may lead to being able to review and issue an audit from any office or have Audit Standards and Procedures employees located at different offices.

Lead Division: Audit

Participating Divisions: Audit, Compliance, Special Programs, Business & Financial Services, Information Services, Taxpayer Account Administration, Research, and Appeals

Start Date: August 2006   **Finish Date:** August 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Taxpayer Correspondence Workflow

Strategy: Make information readily accessible to employees and customers.

Background: A large amount of correspondence is received by the Taxpayer Account Administration division. The majority of this correspondence represents a significant workload for Taxpayer Account Administration, whereas, some is sent to other divisions. Under current procedures, when correspondence is received it is distributed to the various teams within Taxpayer Account Administration or sent to the appropriate division. Most of the correspondence that is distributed is not imaged for records retention until the related work is completed.

This process leaves an opportunity for documents to get misplaced or become difficult to track if needed by another staff member. The process also creates extra work for examiners, taxpayers and other Department staff when the documents must be re-requested or re-created by the taxpayer.

Solution: Develop and implement a process where in-coming correspondence is imaged upon receipt by Taxpayer Account Administration and then placed into an electronic workflow system. The correspondence could then be electronically distributed to the teams or other divisions for review or examination. Such a process will allow staff to verify if correspondence has been received by searching the document imaging system.

Lead Division: Taxpayer Account Administration

Participating Divisions: Taxpayer Account Administration and Information Services

Start Date: July 2006   **Finish Date:** December 2006

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: Enterprise Risk Management

Strategy: Develop creative and innovative solutions while maintaining Department accountability.

Background: For the last several years, the importance of strong corporate governance of managing risk has been increasingly acknowledged. Organizations, whether public or private are under pressure to identify and manage business risks and explain their actions and approach.

In Washington State, managing risk has become a focus for Governor Gregoire, who in December of 2005, kicked off the first annual Conference on Risk Management. Organizational changes and resource allocations also show the incoming emphasis toward the discipline of risk management in state government. For example, the State's Risk Management office is now part of the Office of Financial Management, with new efforts underway to support agency adoption of contemporary risk management practices.

The previous risk management efforts conducted by the Department have focused on claims and judgments (see Executive Order 01-05), to the successful end of having a good claims record and preventing loss or error. However, opportunities exist today for risk management concepts and techniques to be broadly applied to enhance day to day business decisions. Operational, financial, compliance, technology, human resources, and reputation risks are prime examples of areas of interest as the state's tax collector ($15 billion on behalf of state and local governments) and holder of sensitive and legally protected taxpayer information. In addition, the rapid evolution of federal and state employment laws has transformed human resources management into an externally driven, legal based endeavor.

Solution: Institute an Enterprise Risk Management approach. By using this approach, the Department will enhance business performance and facilitate achievement of strategic, operations, reporting, compliance and human resources objectives. By strategically managing risk, the Department can further reduce the chance of loss, protect state resources, and preserve the public's trust and confidence. To begin the process of incorporating Enterprise Risk Management within the Department the following steps will be taken.

1. Provide information to Department management about the discipline of Enterprise Risk Management and the benefits to be derived.

2. Gather best practices and lessons learned from other organizations.

3. Develop an implementation plan to include a draft set of principles on the philosophy of Enterprise Risk Management. Within the plan, establish roles and responsibilities, establish clear and achievable policies, include common language around risk management, and identify training efforts.

In addition, specifically in the human resources arena, the Department will put together a risk management and liability prevention program that supports the Department's vision, mission and goals by addressing specific activities that will mitigate risks and reduce costs associated with reactive responses to human resources issues by the Department.

Lead Divisions: Executive, Business & Financial Services, Human Resources

Participating Divisions: All Divisions

Start Date: October 2006   **Finish Date:** September 2007

Goal: Seek Efficiency, Improvement, Innovation and Accountability in Department Programs

Initiative: New Business Packet Process Analysis

Strategy: Develop creative and innovative solutions while maintaining Department accountability.

Background: When taxpayers register to conduct business in the State of Washington, they complete a Master Application. They can either fill out a paper application and mail it in, or go to the Department of Licensing's website and fill out the application and submit it electronically. When the information is received by the Department of Revenue the account is setup and the taxpayer is mailed a New Business Packet. This packet contains a letter of welcome, the Business Tax Guide and any back tax returns needed to be filed by the business. With approximately 80,000 new businesses registering annually, the cost of mailing these packets is significant.

Solution: The Department will conduct analysis on the feasibility of allowing a taxpayer the option of receiving the information contained in the New Business Packet electronically instead of receiving paper documents by mail. By allowing this option, the cost of printing and postage would be reduced, as well as, a potential time savings to Department staff.

Lead Divisions: Taxpayer Account Administration and Taxpayer Services

Participating Divisions: Taxpayer Account Administration, Taxpayer Services Compliance, and Information Services

Start Date: July 2006   **Finish Date:** October 2006

Initiatives

*Build and Strengthen Open and Collaborative
Relationships with Each Other and Our Customers*

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Initiative: Agency Communication

Strategy: Foster a culture of open communication, teamwork, collaboration, and respect.

Background: Effective communication is critical to Department success. Communication impacts morale by conveying trust and respect, affects performance through conveyance of clear expectations, and impacts organizational culture based upon the congruence between the Department message and actions. Communication may take many forms and is demonstrated through interpersonal interactions and nonverbal signals. Recognition, correction, divisional and Department-wide messages are communicated daily. With so many purposes, modes, and styles, communication must be continuously updated to ensure relevancy and effectiveness. Equally important, communication practices and processes must also be fine-tuned.

The 2005 Employee Satisfaction Survey underscored the need to examine interdivisional communication. On average, only a third of the Department employees were satisfied with the communication of policy and procedure changes between divisions. Respondents were almost twice as likely to be satisfied with the communication within their own division. Of particular concern are those changes that are not clearly communicated when they directly affect another division's employees.

Solution: Understanding the crucial and far-reaching importance, a quality team will address communication issues. The team will examine the best approach and scope for maximum impact on the whole Department, top to bottom. The team will propose an Department-wide communication improvement plan based upon 2005 Employee Satisfaction Survey and feedback data. Specific attention may focus on:

- Interdivisional Communication – exploring strategies to ensure that employees know about policy changes when it directly affects them
- Communication Modes – reducing or eliminating less effective means of communication while maximizing the more effective routes
- Communication from leadership teams – honing communication skills and methods that contribute to effective, consistent, and respectful communication with one another and throughout the Department

Lead Division: Organizational Development

Participating Divisions: All Divisions

Start Date: September 2006   **Finish Date:** March 2007

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Initiative: Local Government Partnership

Strategy: Create and strengthen collaborative local government and stakeholder partnerships

Background: During October and November 2005, the Department hosted four roundtable events with taxpayers, business representatives and local government. The Director, members of the Executive office and Strategy Team attended each of the meetings which were held in Spokane, SeaTac, Yakima and Olympia. A total of 50 business owners and representatives from Washington's business associations, and 18 participants representing local government attended. The Olympia event was held specifically for local government.

Participants were invited to help identify what the Department does well, and were asked to share ideas on possible changes that would help improve services. The feedback provided ranged from our information and communication tools to their experiences with Department programs, procedures and policies.

Local government representatives actively participated at the meetings. They shared ideas on how the Department can look for ways to work cooperatively with them in the collection and distribution of local taxes. Local Assessors and Treasurers want information on a government to government business basis, (i.e. forms, appraiser data base, assessment training information, announcements, memos and answers to administrative questions).

Solution: Create a local tax advisory committee: The Department needs to create a local government advisory committee that would meet on a regular basis. This committee would help enhance the level of communication and cooperation between the Department and local government. Creating this partnership to discuss ongoing activities and gather input from local government will help to align priorities and provide services to meet customer needs. The committee would be led and facilitated by members of the Department in the Taxpayer Account Administration and Legislation and Policy divisions.

Develop a new section on our website for local government: Local government representatives would like the Department to develop a new local government portion on the web site. Based on initial information gathered during stakeholder meetings, representatives indicated that they would like to have the Department consider projects such as a web-based query for local government statistics. They would also like the ability to access local tax distribution detail within a secure online environment. Projects could also include providing property tax information in a secure online environment. The Department would need to utilize the local tax advisory committee to understand and further refine potential projects. Development of the website would likely be a phased process.

Lead Divisions: Taxpayer Services, Taxpayer Account Administration, Legislation & Policy, and Property Tax

Participating Divisions: Taxpayer Services, Taxpayer Account Administration, Property Tax, Research, Legislation & Policy, and Information Services

Start Date: August 2006   **Finish Date:** July 2009

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Initiative: Property Tax Tutorials and Accreditation Data

Strategy: Create and strengthen collaborative local government and stakeholder partnerships

Background: The Property Tax division is responsible for providing a variety of educational courses to county officials and their staff. Each year, the Department develops a training calendar that consists of 15-20 different classes, many of which are presented by Department staff. This process currently involves conducting several sessions of each course in various locations statewide. When county staff cannot attend a course, they must currently wait a year for the next course. Some of the smaller counties and many of the taxing districts send only a small number of their staff or none at all, due to budget constraints. As a result, the Department is continually looking for ways to provide appropriate training in an efficient manner that accommodates the needs of the counties.

The Department is also responsible for maintaining accreditation data. Appraisers who value property for taxation purposes are required to meet certain education and experience standards. This includes taking continuing education courses to stay current with the profession. County assessors must ensure their appraisal staff is accredited and that their status is current. The State Auditor examines this information during the review of the assessors' office.

Appraisers rely on the Department to maintain the accreditation database, and track their continuing education courses and renewal information. The Department's database includes information about the qualifications of each appraiser, the expiration date of the accreditation status, and information on classes taken by each appraiser. Access to this database is currently limited to Department staff.

Solution:

1. Create and offer a series of online tutorial courses. Courses in the calculation and administration of property tax levies, preparation and presentation of a Board of Equalization appeal, administration of the Current Use programs, and valuation and taxation of personal property are examples of courses that would be available to county assessment staff via the Department's Internet site. The courses would be interactive and provide users with the ability to work examples as they go through the training material. This resource could be used throughout the year and reduce the number of training classes needed statewide.

2. Provide Internet access to county assessor personnel to the full accreditation database and provide access to the public to view a listing of accredited appraisers.

Lead Division: Property Tax

Participating Divisions: Property Tax, Information Services, and Taxpayer Services

Start Date: August 2006   **Finish Date:** March 2007

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Initiative: Real Estate Excise Tax Automation

Strategy: Create and strengthen collaborative local government and stakeholder partnerships.

Background: The Special Programs division provides program oversight of county administration and collection of the REET tax. Activities involved in this program include manually reviewing over 300,000 REET affidavits each year, conducting REET affidavit audits, and issuing and collecting tax assessments.

The REET affidavit is the only consistent source of property sales information which is used by the Property Tax division. Since Washington State's property tax system is based on the concept of fair market value, all property must be assessed in a uniform way. The primary source of data used in determining fair market value benchmarks is through sales of property. However, the Department does not have the resources to individually analyze 300,000 REET affidavits to identify sales for the development of benchmarks.

The creation of an electronic REET affidavit would place the needed sales data into a standard format and facilitate the study of market value trends and benchmarks without additional staffing resources. The link with local county offices will also set the platform for utilizing and accessing other pertinent information as well.

Some local governments have made significant progress on their internal REET systems in areas other than an automated filing process. The Department's interest is to have a uniform method for local governments to transmit the REET data when they develop their automated filing process. To facilitate this process, the Department implemented a database for counties to upload or manually key REET affidavit data in 2004. In 2005, legislation was passed to provide the counties funding for the development of systems compatible with the database the Department has developed. The funding includes technology fees and a grant program that makes $100,000 available to each county to assist in their development efforts. The Department has the responsibility of administering the grant program which expires June 30, 2010.

Solution: Continue to support the counties and the title and mortgage companies in their efforts to automate the REET affidavit filing process. The goal is to have a majority of counties submit REET affidavit data to the Department through an automated process to achieve the following benefits:

- Eliminate the need for paper copies on transactions submitted electronically.
- Provide the Special Programs division with the ability to use data to automate portions of the audit selection and assessment process.
- Use the sales data to improve Property Tax administration of ratio studies and property valuation.

Lead Division: Special Programs

Participating Divisions: Special Programs, Property Tax, and Information Services

Start Date: August 2006   **Finish Date:** August 2006

Goal: Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers

Initiative: Appeals Case Management System Integration

Strategy: Resolve issues in a fair and timely manner.

Background: The Department resolves approximately 700 appeals each year. To more effectively handle this caseload and provide needed information to taxpayers, employees, and management regarding appeals, the Department needs to develop a better appeals tracking and management system.

Implementation of a system would ensure access to relevant information regarding an individual case or aggregated appeals information. Under the current system, to ascertain the status of an appeal can be cumbersome as there is no one place to check if a hearing is scheduled, documents are being processed, a record is closed, or if the determination is in drafting mode. Typically, to find out the status of an appeal, the individual handling the appeal is the only source of information which can lead to delays in getting the information if they are unavailable. In addition, if the needed information is located in more than one system there is a risk that some information will be overlooked.

Solution: Determine the requirements for, and implement an integrated appeals case management system. Features of a new system could allow the Department to: 1) know the status of an appeal, 2) provide current information to taxpayers including their appeals status, 3) have access to data on transaction times and processing bottlenecks, and 4) have access to trend data for analysis. An integrated system could also allow employees to view their case assignments for workload management, view other cases to obtain relevant information, reduce time spent searching for information, and send automatic notices to taxpayers regarding information needs.

Lead Division: Appeals

Participating Divisions: Appeals, Audit, Compliance, Taxpayer Account Administration, Property Tax, Special Programs, and Information Services

Start Date: July 2007   **Finish Date:** July 2009

Initiatives

*Promote Correct and Timely Reporting
and Payment of Taxes*

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Tax Billing For Multiple Periods

Strategy: Ensure taxpayers have access to accurate and concise information regarding taxes they owe.

Background: Currently Excise Tax Examiners in Taxpayer Account Administration issue assessments using the same system as the Audit division uses for their assessments that result from an audit. Because this system is designed to meet the business needs of the audit process, it has procedures, documentation and data requirements, and review levels that are not needed for the work of the Taxpayer Account Administration division. The use of this system by Excise Tax Examiners results in an overly cumbersome and time consuming process.

Equally important is that the system requires the generation of multiple billings for taxes owed if the assessment spans more than one return period. Receiving multiple assessments is confusing to the taxpayers and may give the impression of inefficiency on the part of the Department.

Solution: Design a process and build a supporting system for the issuance of assessments by Taxpayer Account Administration Excise Tax Examiners. It may be possible to incorporate the new system into existing systems. A goal should be to have the system produce one concise bill to a taxpayer that spans multiple periods. The system would need flexibility to handle both simple and more complex billings, and billing descriptions and narrative explanations for the taxpayer. This new process and system would likely be used for approximately 50% of the tax assessments issued, as well for billings that are currently done in the balance due notice process.

Lead Division: Taxpayer Account Administration

Participating Divisions: Taxpayer Account Administration, Information Services, and Audit

Start Date: August 2006   **Finish Date:** July 2007

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Bill Pay Application Expansion

Strategy: Ensure taxpayers have access to accurate and concise information regarding taxes they owe:

Background: The Department has continued to pursue electronic means of conducting business to meet customer needs and expectations, as well as to be as efficient as possible. Towards this end, in the recent past the Department has implemented an electronic "Bill Pay" system as a natural extension of the E-file efforts.

Taxpayers wanting to pay their tax billings electronically must register to use the Secure Messaging application to ensure security over their transactions. To date, taxpayers can pay their balance due notices, issued tax assessments and tax warrants using Bill Pay.

The next step will be to look at the possibility of allowing the Bill Pay system to be used for prepayments against an audit assessment. Prepayments can occur when an auditor is conducting an audit and it becomes apparent that tax will be owed and the taxpayer wants to stop interest from accruing and avoid an assessment issuance penalty. In this situation, the taxpayer will generally give the auditor a check for part or all the taxes they think will be owed.

Another potential application for the Bill Pay system is closing agreements. Currently taxes that are owed where a closing agreement is signed do not have the option to use Bill Pay.

Solution: Determine the feasibility of expanding the Bill Pay application to allow for prepayments against an audit assessment and payments associated with a closing agreement. If feasibility is established, determine system requirements and implement the changes.

Lead Divisions: Taxpayer Account Administration and Audit

Participating Divisions: Taxpayer Account Administration, Audit, Business & Financial Services, Information Services, and Special Programs

Start Date: August 2006   **Finish Date**: April 2007

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Alternative Language Services Review

Strategy: Assist taxpayers with reporting and payment responsibilities through education.

Background: Washington State population is continually becoming more culturally diverse. To meet this demand, the Department has a multilingual program that seeks to serve non-English and limited-English speaking taxpayers and the visually and hearing impaired. Due to the efforts of numerous employees statewide, the Department is able to offer taxpayers verbal translation assistance free of charge. A dedicated phone line that taxpayers can call to request translation in their preferred language is also available. Telephone assistance and a website with a text version, is also available for the hearing impaired.

The multilingual program was last examined in 2001 when several improvements were implemented. The Department, however, has had recent inquiries about providing tax publications that are translated into Spanish. To continue efforts to promote timely and correct payment, it is important for the Department to re-examine the current multilingual program to determine if the needs of taxpayers are being met.

Solution: Create an inter-divisional Cultural Diversity Team to act as a review group to re-examine the current multilingual program and explore new services. The team would conduct surveys and informal meetings with community service and media organizations to gather information on their needs. Based on that needs assessment, recommendations would be developed outlining proposed activities and estimated costs.

Lead Division: Taxpayer Services

Participating Divisions: Taxpayer Services, Audit, Compliance, Special Programs, Taxpayer Account Administration, Property Tax, and Appeals

Start Date: July 2006   **Finish Date:** June 2007

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Electronic Case Management System

Strategy: Reduce the amount of unreported tax through education and enforcement.

Background: The Electronic Case Management System (ECMS) was designed to effectively track taxpayer contacts made as part of the Department's Tax Discovery Program. These tax discovery case contacts and records that are maintained in the system used by the Compliance division are now available to the rest of the Department. Employees can now link; view, coordinate, or pass information between Department systems improving program management and reporting and reducing duplication of effort. Staff can now better determine who is working the account. Tax discovery collections are also tracked through this system.

Even with the improvements already made to the system continued work and improvements are needed to ECMS system. These enhancements will continue to result in more functionality and therefore greater effectiveness and efficiency in the program.

Solution: Complete enhancements to the Electronic Case Management System as needed. One significant enhancement will be the expansion and integration of imaging technology to capture non-system generated records. Enhancements will also include generation of letters, and the ability to capture data for analysis and reporting performance measures. Additional functionality would be to have additional ad hoc reporting capability and improved assessment tracking.

When completed, ECMS will allow case records and contact indicators to be available to all Department personnel, and provide the ability to link, view, coordinate, and pass information between Department systems.

Lead Division: Compliance

Participating Divisions: Compliance, Taxpayer Account Administration, Audit, Special Programs, and Information Services

Start Date: August 2006   **Finish Date:** August 2010

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Resale Certificate Plan

Strategy: Reduce the amount of unreported tax through education and enforcement.

Background: State law allows purchasers the opportunity to buy items from vendors without the payment of retail sales tax if those items are for resale. The Resale Certificate is the document presented at the time of sale which substantiates the wholesale nature of the transaction. Some buyers however, complete a Resale Certificate without knowing the implications of using the certificate. Other buyers abuse the purpose of the Resale Certificate by presenting the certificate for non-resale purchases, thereby evading their retail sales tax responsibility.

In response to this concern, the Department created the Resale Certificate Practices Team in March 2004. The purpose of this interdivisional team was to analyze Washington's current Resale Certificate practices and develop recommendations to proactively deal with the misuse of Resale Certificates without increasing the seller's burden.

The team recommended creating a new team to develop a draft implementation plan for the Department. The plan would address process changes to the way taxpayers receive and use Resale Certificates today, and outline how to implement the recommendation for centralized issuance and/or authorized issuance of the Resale Certificate.

Solution: The Resale Certificate plan should: 1) assist in the drafting of new legislation as needed, 2) include methods of educating taxpayers, 3) be flexible to the changing business environment and 4) minimize the burden placed on the seller. The expected result of implementing this plan is to reduce misuse of Resale Certificates by restricting their use.

Lead Division: Audit

Participating Divisions: Audit, Taxpayer Account Administration, Special Programs, Compliance, and Information Services

Start Date: August 2006   **Finish Date:** August 2007

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Noncompliance Study of Unregistered Taxpayers

Strategy: Reduce the amount of unreported tax through education and enforcement

Background: One element of the Department's vision is to promote voluntary compliance. Voluntary compliance is the degree to which taxpayers report and pay their tax responsibilities with no follow-up needed by the Department. As a tax Department, this goal represents the essence of what the Department's mission is about. To help identify progress toward improvement, the Department has tried to measure voluntary compliance for many years.

The current voluntary compliance study conducted by the Department measures the level of compliance by registered taxpayers. While the current measure has been useful and relevant, it is recognized that it measures only one component of the environment, and ignores another component by excluding unregistered taxpayers.

Solution: The Department will study noncompliance of unregistered taxpayers. The study has two major objectives: 1) to measure the total amount of taxes that should have been paid by unregistered taxpayers, and 2) to identify characteristics of unregistered taxpayers such as industry and geographic breakdowns in order to help guide compliance efforts. This study can also serve as a baseline to be compared against future measures in order to analyze the effectiveness of compliance efforts on long-term voluntary compliance. The study will be limited to legal taxable activities.

Lead Division: Research

Participating Divisions: Research, Compliance, Business & Financial Services, Taxpayer Account Administration, Audit, Taxpayer Services, and Special Programs

Start Date: In Progress   **Finish Date:** December 2006

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Employee Use of E-File

Strategy: Encourage use of electronic transactions at every opportunity.

Background: Taxpayers are currently able to fill out tax returns electronically via E-File. This program automatically calculates taxes as they enter figures on excise tax returns. This saves time and reduces errors.

Revenue Agents and Excise Tax Examiners often have to manually fill out and compute paper excise tax returns with figures taxpayers provide them over the phone or in writing. This is especially true for returns without remittance. The paper returns are then batched and sent through campus mail to Taxpayer Account Administration for review and posting.

By providing staff with access to a system similar to what the taxpayers are using, it would be more efficient, accurate and save time for both staff and taxpayers. The system would also provide better accountability and audit trail.

Solution: Develop an application that would allow Department staff the ability to access and use an electronic excise tax return that would automatically calculate taxes for them. In addition, the electronic return would allow adjustments to be made in the system when actual figures for estimated periods are received.

When Departmental employees complete the return it could then automatically post to the Excise Tax system with a unique transaction code and employee identification number, an electronic image could also be sent to the document imaging system. Review processes would need to be put in place to allow some documents to be forwarded to a work queue for examination by the warrant team in Taxpayer Account Administration. The audit trail would be clearly in place with this system. Employees could also make clear notes as to how and from whom the figures were received.

Lead Divisions: Compliance and Taxpayer Account Administration

Participating Divisions: Compliance, Taxpayer Account Administration, Taxpayer Services, Special Programs, Business & Financial Services, and Internal Audit

Start Date: August 2006   **Finish Date:** August 2008

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Electronic Billing of Assessments

Strategy: Encourage use of electronic transactions at every opportunity.

Background: Currently, audit tax assessments, balance due notices and compliance tax assessments are printed to a hard copy and mailed to the taxpayer. Audit assessments are generally lengthy documents that include an invoice, narrative, schedules, and exhibits. The balance dues are generally only a one page document which is generated by the operating system and automatically mailed to the taxpayer. The compliance tax assessments are issued using the Automated Compliance System and typically include a cover letter, a Summary of Liabilities and Assessment page, and an Outstanding Returns Summary sheet.

Issuing tax assessments via the Internet will result in the taxpayer receiving their assessment more timely, while reducing the amount of paper a taxpayer is receiving from the Department. By having the supporting documentation (narrative, schedules, and exhibits) of the assessment available to the taxpayer electronically, the taxpayer can review and file the electronic copy for future reference.

By first implementing a system to electronically bill for tax assessments, the Department can create the foundation to electronically bill for balance due notices, and compliance assessments. This would allow time to research and fix if needed the requirements set forth in RCW 82.32.050 and 82.32.100 to issue notices of deficiency by U.S. Mail.

Solution: Improve the efficiency of issuing assessments and ease taxpayer ability to receive timely information.

To issue assessments electronically, the following steps will be considered:

- Evaluate how to secure the information that is being transmitted, including providing the information in a format that cannot be altered by the reader.
- Include a way to indicate when the taxpayer has received the information.
- Pilot the program with E-filers and migrate towards offering to all taxpayers.
- Include a mechanism for calculating interest through date of payment, this would encourage taxpayers to pay before the 30 day due date that they are currently provided.
- Determine how to deliver an assessment (including invoice, narrative, and audit schedules) in a form that cannot be altered by a taxpayer.

Lead Division: Audit

Participating Divisions: Audit, Compliance, Taxpayer Account Administration, Special Programs, Business & Financial Services, and Information Services

Start Date: August 2006   **Finish Date:** November 2007

Goal: Promote Correct and Timely Reporting and Payment of Taxes

Initiative: Electronic Filing of Nonprofit Exemption Renewals

Strategy: Encourage use of electronic transactions at every opportunity.

Background: The agency maintains approximately 10,000 active accounts regarding property that is exempt from taxation because it is owned or used by a qualified nonprofit organization. Nearly all of these exemptions must be renewed annually. Renewal forms are printed and mailed to each organization every January. The nonprofit organization must complete the form and return it along with a fee of $8.75 by March 31.

Organizations often contact the Department to have a new renewal form sent to them because they are unable to find the original form that was sent. This can be frustrating for the customer, and time-consuming for staff. Additionally, once the renewals are returned, they must be scanned into the imaging system and indexed for retrieval.

Solution: Provide nonprofit organizations the ability to renew property tax exemptions electronically. Electronic renewals will give the organizations more flexibility in maintaining their exempt status. This will benefit the organizations by allowing them to renew their exemptions without waiting for a paper form to be mailed to them. Benefits to the Department would be derived from eliminating the need of printing and mailing the renewal forms. This would reduce the cost of postage, printing, and staff time.

In addition, data regarding receipt of exemption renewal could be automatically put into the Exempt Property Tax System database, which will also reduce staff time currently needed to manually enter the information. Cash Management staff time will also be reduced since they currently process all renewal payments manually. This information could also be electronically imported into the document imaging system, eliminating staff time needed to manually scan and index each document and increasing accuracy.

Lead Division: Property Tax

Participating Divisions: Property Tax, Business & Financial Services, Information Services, and Taxpayer Services

Start Date: April 2007   **Finish Date:** April 2008

Initiatives

Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Goal: Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Initiative: Appeals Program Review

Strategy: Timely develop and communicate clear, consistent interpretation of tax law.

Background: The Appeals division conducts informal hearings on excise tax appeals brought by taxpayers and issues written determinations. The Appeals division also conducts formal Administrative Procedures Act hearings on revocations of business licenses and issues the final administrative decision of the Department. The division has implemented several process improvements over the years using stakeholder feedback and technology to improve quality, efficiency, and to be more responsive to taxpayer concerns. Changes have included: amendment of Rule 100 - the procedural rule governing excise tax appeals which: 1) increased the limit for small claims cases, 2) made permanent a pilot for issuing proposed decisions in executive level cases, 3) instituted scheduling orders and pre-hearing conferences for complex cases, and 4) instituted close of record and clarification of appeal rights. Process improvements have also included: triage of all cases after assignment, development of case processing guidelines, use of computer technology for monitoring, and streamlining the review of less complex appeals. Even with the above changes there is a need to continue process improvement efforts.

Solution: The Appeals division will continue to work with internal and external stakeholders to render quality determinations in a shorter amount of time to meet the demands of a steadily increasing appeals volume. Many improvements are in progress or in the formation stage, and will include:

- Decreasing the time it takes to bring a taxpayer appeal to conclusion by exploring alternative case processing approaches that will expedite processing.
- Exploring the use of electronic resources for online appeals.
- Developing and implementing a process to streamline the review of tax assessments and refund denials with no documentation.
- Working with the Compliance division on processes for revocation proceedings.
- Evaluating processes related to appeals on hold, and improving the settlement process.
- Conducting a taxpayer satisfaction survey.
- Developing and implementing revisions to the Washington Tax Decision process to ensure that taxpayers and employees have access to detailed analysis.
- Working with stakeholders to develop a mainstream appeal pilot program.

Lead Division: Appeals

Participating Divisions: Appeals, Audit, Compliance, Special Programs, Interpretations & Technical Advice, Taxpayer Account Administration, Property Tax, and Taxpayer Services

Start Date: In Progress   **Finish Date:** June 2007

Goal: Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Initiative: Taxpayer Involvement in Tax Policy Development

Strategy: Enhance taxpayer involvement in tax policy development.

Background: The Department's Interpretations & Technical Advice division currently uses stakeholder processes on an as-needed basis to provide feedback in the development of rules. When used, this process results in a better awareness of stakeholder concerns about rules and better information about trends in industry practice that are helpful to staff when updating rules and interpretive statements. To make better use of this process, there should be a formal evaluation of the effectiveness of, and methods for, choosing when to use a stakeholder process and what stakeholders to invite to participate.

Solution: Develop a process to involve stakeholders in the development of the rules agenda where they provide input in identifying rules that require amendment. Develop an evaluation tool to be used at the end of each stakeholder process to test both employee and stakeholder satisfaction. Evaluate whether the employees learned important information from the stakeholders and whether the process actually helped resolve conflicts in interpretation. Also, evaluate how to determine the composition of a stakeholder group, particularly whether there is a need to attract more diversity among the stakeholders. Develop strategies for notifying stakeholders in advance to assure those that want to be included have the opportunity.

Lead Division: Interpretations & Technical Advice

Participating Divisions: Interpretations & Technical Advice, Executive, Legislation & Policy, Audit, Taxpayer Services, Compliance, Taxpayer Account Administration, Special Programs, and Property Tax

Start Date: July 2006   **Finish Date:** June 2007

Goal: Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Initiative: Tax Application Training

Strategy: Improve tax policy communication and tax law training within the agency.

Background: Currently, tax application training is developed and provided on an "as needed" basis. The training is developed and provided externally as well as internally, though often not for both audiences.

Internal tax application training that is provided on a routine basis has included "Rules and Laws", conducted by the Audit division principally for Audit staff; the annual review of "Legislative Changes" by Legislation & Policy; and "Current Hot Issues" by Interpretations & Technical Advice for all staff. Other training is developed when it appears that more clarification is needed in an industry. This approach has led to the situation where each division has taken care of their own training needs, when more divisions could benefit from the training.

Solution: Provide accessible, timely training to any employee interested in taking a tax application class. Assess each division's need for tax application training and when they typically need the training.

Establish a process for determining responsibility for developing the necessary tax application training, who will provide the training, how it will be advertised, and a method of evaluating whether the training actually improves consistency and accuracy in the application of tax law and policy.

Lead Division: Interpretations & Technical Advice

Participating Division: All Divisions

Start Date: July 2006   **Finish Date:** January 2008

Goal: Promote Fairness and Consistency in the Development and Application of Tax Law and Policy

Initiative: Information Analysis to Improve Tax Policy Decisions

Strategy: Improve tax policy communication and tax law training within the agency.

Background: Decisions regarding tax policy and application are made on a daily basis throughout the Department by a wide variety of personnel. These decisions are sometimes memorialized in products such as; technical advice given by the Interpretations & Technical Advice division; Taxpayer Information and Education letters; and tax assessments issued by Audit or Tax Account Administration. The differing personnel and volume of decisions can create challenges in communication and consistency. Therefore, there is a need to examine the Department's wide array of tax policy decisions to identify any inconsistency in tax treatment and advice given.

Solution: Form a cross-divisional group to study how data is used. The study will enable the Department to identify and promote consistency in the communication and application of tax policy. The team will solicit input from each division and develop a method to survey and collect data on current practices and gaps. This data will be used to develop recommendations about the future use of Department information. In addition, the information could be used in the development of interim guidance and new legislation, the setting of rules priority, proposals for settlements, fiscal estimates, and identifying issues that may be potential problems.

As a part of this study, the team will identify and evaluate the risks of gathering this data with respect to areas such as public records requests and litigation discovery.

Lead Division: Audit

Participating Divisions: Audit, Interpretations & Technical Advice, Taxpayer Account Administration, Research, Legislation & Policy, Taxpayer Services, Special Programs, and Compliance

Start Date: July 2006   **Finish Date:** June 2007

Initiatives

Provide Tax Information and Analysis that is Forward–Looking and Responds to the Changing Business Environment

Goal: Provide Tax Information and Analysis that is Forward-Looking and Responds to Changing Business Environment

Initiative: Trends in Industry Practices

Strategy: Identify long range industry trends and practices to help develop policies that foster economic growth.

Background: From time to time an industry approaches the Department and provides information about changes in the way it operates. This information is generally shared in context of a taxation question or issue. Normally, by request of the taxpayer, only a few employees from the divisions or Executive staff are invited to hear the presentation. Because of this, the Department needs to have a more systematic way to learn about changes in business practices and long term trends in industries as such trends relate to taxation, and, the information needs to be shared more widely than current practice.

Solution: Develop a monthly seminar, with speakers solicited from industry, other taxing agencies, economists or academics to discuss long range changes in industry practice or tax law related to specific industries, open to anyone in the Department. Examples might be presentations by the travel intermediary industry, anticipated changes in Internet business practices by Amazon and Real Network, alternative energy technology, and projected changes in the northwest forest industry. In some instances, the industry itself could do the presentation. At other times the Department might pay speakers that are acknowledged experts. Annually, all divisions would be canvassed for ideas about what industries to solicit information about, and to the extent possible, such presentations would be coordinated with rules or legislation under development.

Lead Divisions: Interpretations & Technical Advice, Legislation & Policy, and Research

Participating Divisions: All Divisions

Start Date: July 2006   **Finish Date:** June 2007

Goal: Provide Tax Information and Analysis that is Forward-Looking and Responds to the Changing Business Environment

Initiative: Streamlined Sales Tax

Strategy: Actively participate in national and regional efforts to streamline and simplify taxes

Background: The Streamlined Sales Tax Project (SSTP) is an effort created by state governments. Throughout the project, input from local governments and the private sector have been utilized to simplify and modernize sales and use tax collection and administration. The project evolved as a way for states to increase revenues from E-commerce and prevent potential losses from remote sales. Implementation requires that taxpayer systems be certified and uniform audit procedures be utilized by all participating states. The Streamlined Sales Tax proposals included tax law simplification, more efficient administrative procedures, and emerging technologies to substantially reduce the burden of tax collection.

The project's proposal focuses on improving sales and use tax administration systems from both mainstream and remote sellers for all types of commerce. Currently, Washington State is participating in the project. Upon passage of conforming legislation, the State will petition the project's governing board to become a member state. Becoming a member state, will involve enhancements to registration and return processing systems and local tax jurisdiction coding.

Another important factor will be Certified Service Providers (CSPs). CSPs are the software companies that are certified to act on behalf of different states, collect the retail sales tax from their customers (the sellers) and remit the tax to the states. They will provide this service for a fee paid by the individual states. Because the CSPs will be collecting sales tax as an agent of the Department, it is important that the Department participates in the development of the standards that apply to these service providers.

Solution: To meet the project requirements and integrate information of Streamlined Sales Tax taxpayers with non-Streamlined Sales Tax taxpayers, enhancements to the registration and tax return processing systems and to local jurisdiction coding needs to occur.

To meet these requirements the following activities will need to be conducted:

- Form a steering committee to coordinate efforts regarding the SSTP and CSPs.
- Have divisional representatives attend the SSTP meetings for the Uniform Auditing and Certification committee, and communicate updates to the steering committee and their divisional sub-committee.
- Establish policies regarding SSTP implementation.
- Take steps to ensure passage of required legislation regarding SSTP.
- Develop a relevant online registration process and tax return processing systems.
- Train employees regarding new procedures regarding SSTP sellers and CSPs.
- Identify impacts on the regular audit program as it relates to these changes.

Lead Divisions: Executive and Legislation & Policy

Participating Divisions: Executive, Legislation & Policy, Research, Interpretations & Technical Advice, Taxpayer Account Administration, Audit, Business & Financial Services, Compliance, Information Services and Taxpayer Services

Start Date: August 2006   **Finish Date:** On-Going

Goal: Provide Tax Information and Analysis that is Forward-Looking and Responds to the Changing Business Environment

Initiative: Fiscal Note and Bill Tracking Reporting System

Strategy: Provide timely tax information and advice to the Governor, Legislature, and other Stakeholders.

Background: The current Bill Tracking System was written on a platform where design issues are becoming increasingly difficult for Information Systems to support. Jointly, Information Services, Research and Legislation & Policy prefer to move to a web-based process that provides more functionality and is easier to maintain.

The current system is e-mail dependent in assigning bill and fiscal note analysis, expenditure analysis to the divisions, and notification of fiscal notes for review. The system has no workload or priority setting capabilities; nor any avenue for sharing and storing related documentation, such as hearing testimony, notes, and bill drafts. Communication on issues of concern is difficult as there is very little flexibility in reporting information on the current legislative session bill priority topics. And, divisions provide expenditure estimates via a Word template that is difficult to use and share, and expenditure estimate responses cannot be tracked easily.

Solution: Develop a new fiscal note and bill tracking reporting system to meet the Department's needs. Fundamental enhancements will include:

- Automated assignment of Office of Financial Management fiscal notes
- Work queues for fiscal note assignment, analyst work, coordinator review, executive review, and fiscal note approval and related workflow capabilities
- Entry and update of bill description, revenue and expenditure estimates
- Work queues for bill analysis assignment, analyst work, coordinator review
- Hearing date and current bill status tracking
- Ability to track changes in bill language and bill analyses
- Information sharing repository of significant documentation and correspondence
- Search ability for bills and fiscal notes across years
- Workload, management and ad hoc report capabilities
- Intranet website interface for other divisions
- Management of lookup tables, security and access

Lead Divisions: Research and Legislation & Policy

Participating Divisions: Research, Legislation & Policy, Information Services, Executive, Business & Financial Services, and All Divisions providing Fiscal Note expenditure analysis

Start Date: August 2006   **Finish Date:** December 2007

Goal: Provide Tax Information and Analysis That Is Forward-Looking and Responds to the Changing Business Environment

Initiative: Legislative Session Preparedness

Strategy: Provide timely tax information and advice to the Governor, Legislature, and other stakeholders.

Background: Much of the Department's engagement in the legislative process is reactive. Often, on short notice, the Department is asked to provide draft legislation on complex, difficult issues.

When it is possible for staff to predict likely legislative proposals, vet the concepts, and even do initial legislative drafts in advance of getting a request, the Department is in a position to provide better service to our stakeholders. This advance work also: reduces errors in and redrafting of legislation, provides time for crafting alternatives that assist operating divisions in minimizing administrative difficulties with new programs or tax changes, and is valuable developmental training for staff who work on legislation.

Solution: Conduct an internal review of previous revenue related lists that have been used to generate proposals. Then in consultation with the Office of Financial Management and others, select ideas most likely to receive serious consideration as the Governor's policy agenda is developed and budget considerations become apparent. These concepts would be developed, including initial bill drafts and estimates, so that problematic policy areas and potential administrative concerns can be identified. And then, when possible, address the issues early or have alternatives ready for proposal.

Lead Division: Legislation & Policy

Participating Divisions: Legislation & Policy, Research, and Interpretations & Technical Advice

Start Date: In Progress   **Finish Date:** December 2006

Appendix

Department of Revenue Organizational Chart

Director

Deputy Director

Executive Assistant to the Director

Media Relations

Attorney General

Appeals

Sr. Assistant Director Tax Policy

Legislation & Policy

Research

Interpretations & Technical Advice

Sr. Assistant Director Operations

Audit

Taxpayer Account Administration

Compliance

Taxpayer Services

Special Programs

Property Tax

Sr. Assistant Director Admin Services

Information Services

Business & Financial Services

Organizational Development

Human Resources

Internal Audit

Division Descriptions

Taxpayer Services

Taxpayer Services is responsible for the Department's taxpayer information, education and outreach programs, public information, media and public relations, and other major aspects of employee communications. In addition to providing general tax information and guidance, the division coordinates content for the Department's Internet and Intranet web sites, manages the streaming video program, and assists with the development of web applications. The division also coordinates, prepares and prints most Department forms in addition to producing or assisting other divisions in the preparation and distribution of publications. Taxpayer Services promotes voluntary compliance through services such as telephone assistance, technical assistance notices, and taxpayer workshops. Taxpayer Services also responds to written taxpayer inquiries, providing binding tax application and reporting instructions. In addition, the division administers the legislatively-mandated Taxpayer Advocate program, which assists taxpayers with resolving issues and understanding their rights in working with the Department.

Taxpayer Account Administration

Core functions of the Taxpayer Account Administration division include reconciliation of taxpayer accounts, business registration, taxpayer account maintenance, data capture, document imaging, and retention of taxpayer records. Within the division, Excise Tax Examiners conduct tax return and tax account examinations, reconcile taxpayer account activity, and bill for tax underpayments or refund tax overpayments. The division is also responsible for the identification, verification, and distribution of local government sales and use tax, represents the Department in the Unified Business Identifier program, and administers the Department's Electronic Filing program. The division also oversees system development projects for the major tax processing systems of the Department. Taxpayer assistance is provided through the division's call center operation, and one-on-one assistance through direct taxpayer contact.

Special Programs

The Special Programs division administers seven specialty taxes and five non-tax programs. The Forest Tax section administers the timber excise tax and log export enforcement programs. The Miscellaneous Tax section administers the cigarette excise and other tobacco products taxes, estate tax and escheat program, real estate excise tax, leasehold excise tax, commercial vessel tax and various sales tax deferral programs. The Miscellaneous Tax section is also responsible for administering the tax accountability and incentive reporting requirements associated with the tax deferral programs. In addition, the division administers the State's Unclaimed Property program, a consumer protection program designed to return lost or abandoned property to the lawful owner. As a division, Special Programs conducts the variety of functions needed to administer these smaller programs such as tax return processing, and taxpayer assistance.

Division Descriptions

Compliance

The Compliance Division, through direct contact with Washington citizens and businesses, pursues collections of unpaid, past-due receivables and tax returns, and conducts investigations to identify and collect unreported taxes from unregistered businesses operating in Washington State. The division also assesses and collects taxes from Washington residents who owe use tax on tangible personal property. Personal assistance and education to taxpayers is also provided by division employees through in-person contact in many of the field offices, telephone assistance, and outreach activities. These efforts help to ensure proper business registration and accurate tax reporting.

Property Tax

The Property Tax division oversees the administration of property taxation at the state and local level. Responsibilities include the development of rules and guidelines for the assessment and taxation of property. The division provides advice, instructions and training to offices of county assessors, treasurers and boards of equalization and answers questions of interpretation. The division directly assesses the inter-county operating property of about 375 airline, railroad, power, gas, railroad car line, and communication companies. Other responsibilities include: conducting county assessment ratio studies to set the state school levy and equalize the value of utilities to local taxing districts; providing appraisal assistance to counties; providing education to assessment personnel and administering the appraiser accreditation program; administering property tax exemptions or deferrals for nonprofit organizations and senior citizens; oversight of county boards of equalization and the administration of levies; approving county revaluation programs; oversight of personal property assessment and the setting of personal property valuation guidelines annually; oversight of the current use program; review of county assessment and levy administration; analysis of proposed property tax legislation and providing legislative testimony; analysis of voter or legislative initiatives; and conducting general compliance reviews to assess county compliance with state law.

Legislation & Policy

Legislation & Policy coordinates the Department's legislative efforts. In addition to providing the Legislature with accurate and timely information, the division concentrates its legislative efforts toward fairness, consistency, and ease of administration. Legislation & Policy personnel advise the Executive and Department leaders on national tax policy issues and represent the agency at national meetings and forums. Division responsibilities include planning and monitoring the implementation of new or revised tax programs; determining the impacts of proposed legislation; developing tax policy options; drafting tax related legislation; and conducting special policy analyses to address specific industry, executive, or agency needs.

Division Descriptions

Interpretations & Technical Advice

Interpretations & Technical Advice coordinates the development and communication of tax policy within the Department. The division provides Executive staff with accurate and timely policy positions and options on existing tax statutes, and responds to requests for technical advice from all divisions within the Department. The division drafts rules, coordinates the rule-making process, drafts excise tax advisories, and ensures the information is made available to Department employees. The division also reviews drafts of controversial or significant letter rulings to be issued to taxpayers by Taxpayer Services. Working with other divisions, Interpretations & Technical Advice develops training programs for staff to ensure consistent application of tax policy.

Research

The Research division conducts fiscal analysis, compiles data and provides technical assistance for the Governor, the Legislature, the Department, and others to support informed decision-making. The division produces fiscal estimates on revenue-related legislative proposals; publishes data on tax collections; prepares revenue forecasts for non-general fund sources; conducts special studies as requested or required by statute; and responds to a wide variety of requests from other state agencies, local government, the media and others in order to inform the tax policy debate. The Research division also conducts operations research projects for division managers to help increase the efficiency and effectiveness of Department programs.

Appeals

The Appeals division conducts informal hearings on excise tax appeals brought by taxpayers, issues written decisions, and renders formal and informal tax law interpretations. The division negotiates settlements of tax disputes, and executes closing agreements when appropriate. The division also presides over formal Cigarette Seizures, Timber Exports, Business License Revocation appeals, and represents the Department in informal appeals before the State Board of Tax Appeals. Select determinations issued by the division are published and establish precedent for the Department and the taxpayer.

Audit

Audit division activities support the voluntary reporting and payment of taxes and the administration of the tax system primarily through the performance of audits. Audit division staff are located in field offices across the state and in remote offices throughout the United States where they conduct audits of businesses that have activity in Washington State. The Audit division works directly with taxpayers to verify the accuracy of taxes reported, and to identify and correct improper reporting. Audit division activities also include educating taxpayers about tax reporting through Business Outreach seminars, consultation visits, and other speaking engagements. Internally, the Audit division assists the Department in understanding the practical application of tax law by identifying changes in business activities, industries, technology, etc.. Externally, the Audit division is, in many cases, a "face" for the Department, and often serves as a taxpayer's first and only contact with the Department.

Division Descriptions

Information Services

The Information Services division manages the Department's information technology and telephony needs. The information technology infrastructure includes wide and local area networks, as well as an Internet presence that supports the provision of online forms and information. The division also develops and supports a growing number of e-commerce applications such as electronic filing, secure messaging, unclaimed property searches, and the geographic information system for looking up local tax codes. The Information Services division also develops and maintains a complex tax management computer system as well as other administrative applications, data security functions, client support activities, data center management, and telecommunications.

Executive

The Executive Office provides overall guidance and direction to the organization. Responsibilities include setting the organizational vision, organizing the Department, and overseeing operations. Executive Management ensures the Department meets its statutory obligations and administers its programs effectively. Executive Management is responsible for establishing strategic direction and policies, and establishing appropriate plans to enable the Department to accomplish its mission. The Executive division also includes the Organization Development and Internal Audit functions. For legal issues, the Department is represented by the Office of the Attorney General.

Internal Audit

The Internal Audit program provides independent, objective audit and consulting services to support management in accomplishing the Department's mission and goals. The work of Internal Audit is performed following the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA0. Internal Audit activities support management by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance. Internal Audit focuses on: internal controls for safeguarding state assets against loss and/or abuse; the reliability and integrity of financial records and reports; assessing the Department's policies and practices to ensure compliance with both legal and administrative requirements; and appropriate laws are followed.

Organizational Development

Organizational Development is responsible for planning, organizing, and leading the development of quality improvement initiatives. These activities include coordinating the Government Management Accountability and Performance initiative within the agency, the Quality Program and Malcolm Baldrige-based evaluations through the Washington State Quality Award. In addition, the section coordinates employee recognition programs, satisfaction surveys, as well as leadership, team and facilitator development. Organizational Development fosters innovation and balances stakeholder needs to continuously build a stronger performance management system.

Division Descriptions

Legal

The Office of the Attorney General has assigned several Assistant Attorneys General as counsel to the Department to provide legal services. Primary responsibility involves representing the Department and the state in tax refund litigation and providing legal advice on questions arising in the course of the Department's activities. The Office of the Attorney General has also assigned attorneys to provide legal representation and advice to the Department in bankruptcy and collections matters, prosecution of economic crimes, labor relations, personnel matters, and tort actions.

Business & Financial Services

The Business & Financial Services division provides internal business services to all divisions and employees within the Department, as well as select services to the public. Sections within the division include Financial Management, Cash Management, and Office Services. Financial services include financial analysis and reporting, budgeting, strategic planning, performance measurement, accounts payable, business expense reimbursement, leave accounting, payroll, general accounting, and cash management activities. Business services include inventory control, facilities management, purchasing, contracting, security, warehousing, mail service, and facilitation of programs such as risk management, commute trip reduction, sustainability, and emergency preparedness.

Human Resources

The Human Resources division is responsible for providing a broad range of employment services to support the Department's workforce infrastructure, while ensuring compliance with employment laws and management system requirements. The Recruitment section works with hiring managers to recruit, select, and retain the most qualified candidates to meet the staffing needs of the Department. The Personnel Operations section processes the Department's personnel actions, maintains records, and provides expert advice and coordination on a wide range of personnel management services, including position classification and compensation, employee and labor relations, and performance management. The Training section develops and delivers employee training, including a comprehensive supervisory and management program. The HR Risk Management section provides employment liability prevention consultation covering safety, wellness, worker's compensation, disability accommodation, family medical leave administration and discrimination prevention and investigation.

Taxpayer Rights and Responsibilities

Washington State Taxpayers Have a Right To:

- Simple and prompt administrative process for tax refunds and credits

- Timely, fair and equitable treatment with dignity and respect

- Accurate written information on reporting instruction, appeal procedures, refund claims and reasons for assessment

- Public hearings on proposed rules

- Review and appeal assessments, business registration revocations and adverse rulings

- Remedies when statutes and rules are found to be unconstitutional

- Confidentiality of financial and business information

Washington State Taxpayers Have a Responsibility To:

- Register with the Department of Revenue

- Know their tax reporting obligations and seek instructions when they are uncertain

- Keep accurate and complete business records

- File returns and pay taxes in a timely manner

- Ensure the accuracy of the information entered on their tax returns

- Substantiate claims for refund

- Notify the Department of Revenue and pay taxes promptly when closing a business

Department of Revenue
Washington State Field Offices

Aberdeen*

Bellingham
1904 Humboldt St
Suite A
Bellingham, WA 98225
(360) 676-2114

Bothell*

Bremerton*

Everett
9930 Evergreen Way
Suite Y-150
Everett, WA 98204-3893
(425) 356-4800

Federal Way*

Kent
20819 72nd Ave South
Suite 680
Kent, WA 98032
(253) 437-3440

Lacey*

Olympia*

Port Angeles
734 E First St
Suite B
Port Angeles, WA 98362
(360) 457-2564

Richland
1657 Fowler St
Richland, WA 99352
(509) 734-7526

Seattle
2101 4th Ave
Suite 1400
Seattle, WA 98121-2300
(206) 956-3000

Spokane
1330 N Washington St
Suite 5600
Spokane, WA 99201-2456
(509) 327-0200

Tacoma
3315 S 23rd St
Suite 300
Tacoma, WA 98405
(253) 382-2000

Tumwater
6500 Linderson Way SW
Tumwater, WA 98501
(800) 647-7706
(360)705-6676

Vancouver
8008 NE 4th Plain Blvd
Suite 320
Vancouver, WA 98662
(360) 260-6176

Wenatchee
630 N Chelan Ave
Suite B3
Wenatchee, WA 98801
(509) 663-9714

Yakima
1714 S 16th Ave
Yakima, WA 98902-5713
(509) 575-2783

* Field office does not have a taxpayer service counter.

Out of State Auditor Presence

Arizona
Scottsdale

California
San Francisco
Los Angeles
San Diego

Colorado
Denver

Connecticut
Hartford

Florida
Orlando

Georgia
Atlanta

Idaho
Boise

Illinois
Chicago

Maryland
Baltimore

Michigan
Detroit

Minnesota
Minneapolis

Missouri
Kansas City
St. Louis

North Carolina
Charlotte

Nebraska
Omaha

New Jersey
Northern

New York
New York, Metro

Ohio
Hudson
New Carlisle

Pennsylvania
Philadelphia

Texas
Dallas
Houston

Virginia
Portsmouth/Richmond

Washington, DC

Washington State General Fund Revenues

Fiscal Year 2005 - Dollars in Millions
State Revenues*

Retail Sales/Use
$6,674
51.4%

State Property Tax
$1,395
10.7%

Cigarette/Tobacco
$61
0.5%

**Business &
Occupation**
$2,228
17.2%

Public Utility
$334
2.6%

Other
$1,223
9.4%

Real Estate
Excise
$773
6.0%

**Other
DOR
Taxes**
$298
2.3%
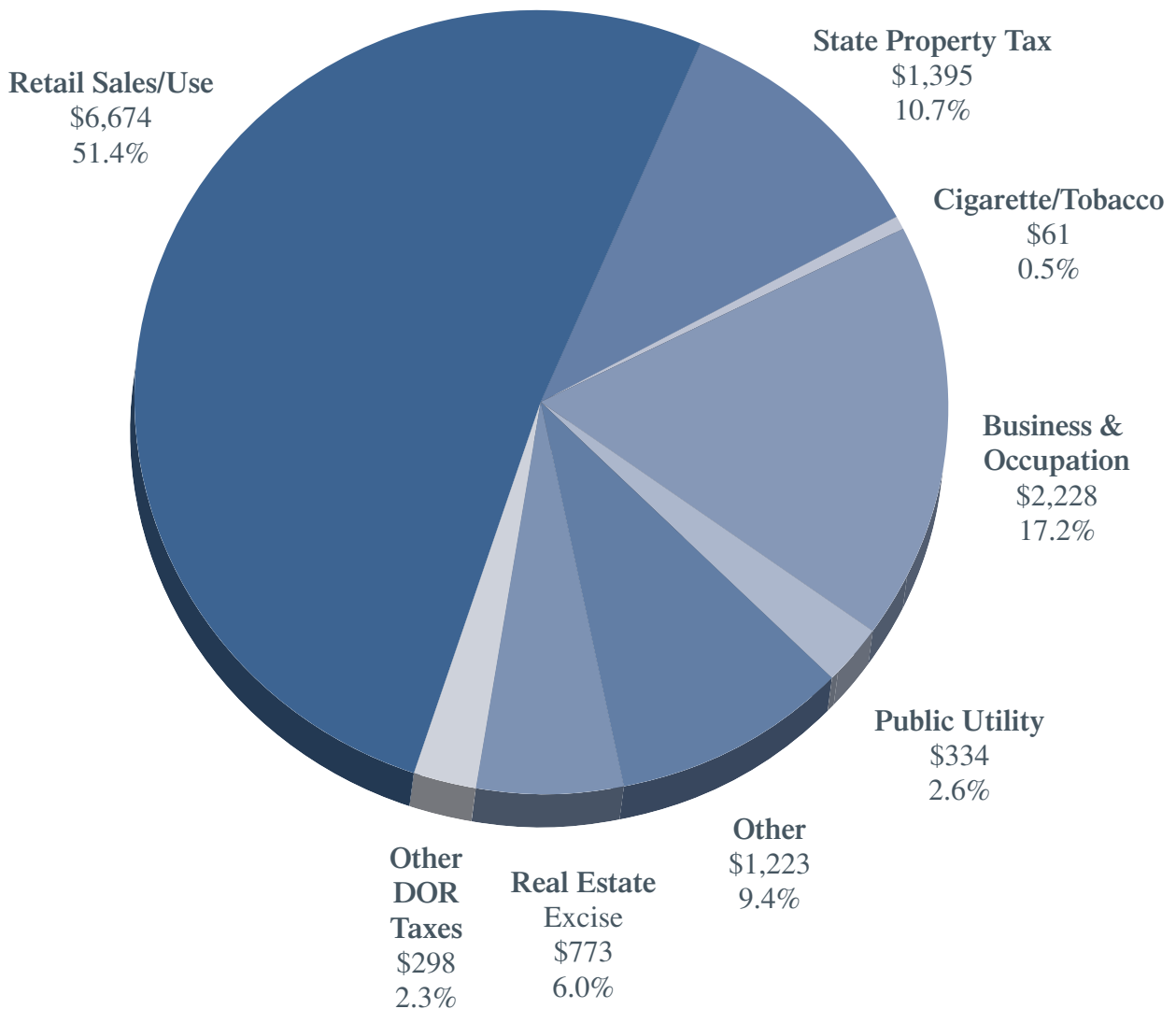
Department of Revenue Collections

Fiscal Years 2004 and 2005 (in thousands)

Source	Fiscal 2004	Fiscal 2005	% Change
State Taxes			
1935 Revenue Act Taxes			
Retail Sales and Use Tax	$6,182,975	$6,620,167	7.1%
Business and Occupation	2,067,872	2,269,105	9.7%
Public Utility	292,831	303,778	3.7%
Cigarette	336,156	323,580	-3.7%
Other	175,508	188,689	7.5%
TOTAL 1935 Revenue Act Taxes	**$9,055,342**	**$9,705,319**	**7.2%**
Property and In-Lieu Taxes			
State Property Tax	$1,524,255	$1,589,947	4.3%
Timber Excise (state)	7,855	10,122	28.9%
PUD Privilege	36,614	38,024	3.9%
Leasehold Excise (state)	19,436	19,918	2.5%
TOTAL Property and In-Lieu Taxes	**$1,588,160**	**$1,658,011**	**4.4%**
Other State Taxes			
Real Estate Excise Taxes	$615,618	$823,110	33.7%
Estate	139,855	(42,299)	-130.2%
Hazardous Substance	32,393	38,037	17.4%
Other	329,376	325,172	-1.3%
TOTAL Other State Taxes	**$1,117,242**	**$1,144,020**	**2.4%**
Local Tax Collections	$2,118,781	$2,279,543	7.6%
Administrative Collections	$21,110	$22,705	7.6%
TOTAL Department Collections	**$13,900,635**	**$14,809,598**	**6.5%**

Source: DOR's Website/ Statistical Reports/ Historical Tax Collections/ Tax Stats 2005

Washington's Tax History

An Overview of Major Events Relating to the Development of State and Local Taxes in Washington

Early Tax History

From the establishment of Washington as a territory in 1853 until the Depression years of the 1930s, the property tax was the principal revenue source for both state and local governments. The property tax was considered to be a good measure of ability to pay during the largely agrarian economy, and most governmental programs directly benefited property owners. Upon achieving statehood in 1889, a major provision of the state Constitution required that all taxes on property be applied uniformly. Several other taxes were established during this early period:

- Tax of 2% levied on premiums received by insurance companies (1891).
- Inheritance tax established; rates ranging from 1% - 12% (1901).
- Tax on motor vehicle fuel at a rate of 1 cent per gallon (1921).

The Depression Years

As the scope of governmental programs increased during the early part of the 20th Century, greater reliance was made of the property tax. By 1930 the average property tax rate had reached 2.8 percent of market value (by comparison, the current statewide average rate is 1.1 percent). Washington's economy was shifting more toward an industrial basis, and the value of property owned was no longer necessarily a good measure of an individual's wealth. Thus, the property tax increasingly violated the "ability-to-pay" criterion for a good tax. With the advent of the Depression, many workers had lost their jobs and were not able to pay their property taxes. On the one hand, government revenues plummeted as property tax delinquencies grew, while on the other hand there was increased need for expanded governmental services for welfare and relief programs to help unemployed persons.

Two special tax study groups met during the 1920's and recommended that Washington's tax structure be broadened, so that the reliance on property taxes could be reduced. In the first of many subsequent instances of citizens attempting to directly influence the tax system, the voters approved two initiatives in 1932. One imposed a limitation on property tax rates equal to 40 mills (one mill = 0.001). The other established a state personal and corporate income tax. However, in a landmark decision handed down in early 1933 the State Supreme Court overturned the income tax, by interpreting income as constituting property; this implied that a tax on income would be in violation of the constitutional uniformity requirement for taxes on property.

In response to the Court decision, the 1933 Legislature adopted a temporary gross receipts tax on business as a stop-gap measure to balance the state budget. This represented Washington's first excise tax on general business activities.

Washington's Tax History

Revenue Act of 1935

To address the deepening financial crisis, in 1935 the Legislature enacted the most comprehensive tax bill in state history. As a result, the state's principal form of taxation shifted from property taxes to excise taxation (i.e., taxes that are measured by a transaction, e.g., the selling price of an item). This legislation contained many of the tax sources which form the basis of Washington's tax system today. In fiscal year 2003, Revenue Act taxes generated three-quarters of all state tax receipts supporting the state general fund. These sources included:

- Retail sales tax
- Compensating (use) tax
- Business and occupation tax (replacing the 1933 tax)
- Public utility tax
- Liquor sales tax
- Cigarette tax

The 1935 Revenue Act also included other taxes which were either vetoed by the Governor, ruled unconstitutional or were subsequently repealed, including a corporate net income tax; a tax on fuel oil; taxes on stock transfers and conveyances; specialized taxes on radios, toiletries and medicines; a gift tax to supplement the inheritance tax; and a tax on admissions (now a local government revenue source).

Subsequent Tax Changes

Many of the changes in Washington's taxes over the past 75 years have involved either changes in tax rates or tax base revisions - broadening to new areas for existing taxes or tax reductions in the form of new exemptions, deductions, credits, etc. The last page contains a summary of the rate changes for several of the principal state taxes. Adoption of major new taxes and significant tax base changes are noted below:

1937   Motor vehicle excise tax adopted (before vehicles were subject to personal property tax).

1944   Two constitutional amendments adopted: (1) 40 million property tax limit with assessment at 50% of true & fair value; and (2) motor vehicle fuel tax earmarked for highway use.

1951   Sales tax extended to hotel/motel accommodations. Real estate excise tax of 1.0% on property that is sold authorized for counties and earmarked for schools; the tax was shifted to the state level in 1981.

1955   Program begun to bring property valuations up to market value.

1959   Sales tax extended to rental of personal property & certain other services. B&O tax extended to rental of real estate but was overturned in 1960 by State Supreme Court as constituting double taxation of property.

1961   Sales tax extended to certain amusement/recreational services. New tax on liquor measured by volume (originally per ounce, now per liter).

1965   Constitutional amendment allowing property tax exemptions for senior citizens; the initial exemption program for seniors and disabled homeowners was adopted in 1967. Manufacturers tax credit allowed B&O tax credit for sales tax paid on major investments.

Washington's Tax History

1967 First "hotel/motel" tax; King County authorized to receive 2.0% of state sales tax on lodging for construction of Kingdome.

1968 Constitutional amendment allowing current use assessment of open space, agricultural, and timber lands for property tax purposes. Program was implemented in 1970.

1969 Court decision required assessment of property at 50% of true and fair value.

1970 B&O tax extended to financial institutions, following a change in federal policy allowing states to tax national banks. Initial local sales tax of 0.5% authorized for cities/counties.

1971 Annual increases in local regular property tax levies limited to 6%.

1972 Constitutional amendment limiting regular property tax levies to 1%. Timber excise tax imposed on the stumpage value of timber harvested on private lands. Timber tax phased in as property tax on timber was phased out.

1974 Phase out of property tax on business inventories over 10 years. An increasing portion of the property tax on inventories was allowed as a credit against B&O tax until 1984 when they were exempted from property tax outright.

1975 Property assessments increased to 100% of true and fair value. Levy rates switched from mills to dollars per $1,000 with reallocation of levies among state and local taxing districts designed to meet constitutional 1% limit.

1976 Leasehold excise tax imposed on leases of publicly owned property.

1977 Phase in of limitation on special school levies, equal to 10% of the district budget. Voters approve initiative exempting food for off-premises consumption from sales tax.

1981 Voters approve initiative repealing inheritance and gift taxes. Estate tax, comprised of the amount of federal tax credit, remains in place.

1981 Some telephone services shifted from utility tax to B&O and sales tax; expanded to all telephone service except local residential service in 1983.

1982 Sales tax temporarily re-imposed on food products and a variety of increased tax rates during fiscal crisis due to economic recession. Second ("optional") 0.5% local sales tax authorized for cities and counties.

1984 Voters approve initiative exempting trade-ins from sales tax.

1985 Sales tax deferral for manufacturing investments in economically distressed areas (became outright exemption in 1995 and changed to rural counties in 1999).

1993 Major increase in B&O tax rates & establishment of new 2.5% rate on business services; these increases were phased down starting in 1994 and eliminated by 1998. Sales tax deferral for R&D investments by certain high technology firms. B&O tax credit for R&D expenditures for same firms in 1994.

1995 Sales tax exemption for manufacturing machinery. Local sales tax of 0.5% authorized for food and beverages only in King County to finance a professional baseball stadium; this represents the first differential sales tax rate upon a particular type of product.

1997 Voters approve limitation of growth in regular property tax levies to rate of inflation.

2000 Legislature repeals motor vehicle excise tax, leaving $30 license fees. (In 1999, the voters had approved a similar initiative but this was ruled unconstitutional.)

Washington's Tax History

2001   Voters approve initiative limiting annual growth in regular property tax levies to 1%. Voters approve initiative increasing cigarette tax rate from $0.825 to $1.425.

2003   Additional state sales/use tax of 0.3% applied to sales/leases of new or used motor vehicles; represents first differential state sales tax upon a particular type of product. Major portions of Streamline Sales Tax Agreement adopted, making Washington's sales tax base more uniform with those of many other states. Significant new tax incentives for manufacturers of aircraft and semiconductors.

2004   Extension of tax incentives for high technology firms and certain firms in rural areas; new incentives for aluminum smelters.

2005   Sales tax deferral/exemption program extended to fruit and vegetable processing facilities; exemption from B&O tax for income derived by fruit and vegetable processors. Additional B&O tax on games of chance and pari-mutuel wagering to finance problem gambling services. Phased-in increase of gas tax from 28 cents to 37.5 cents per gallon by 2008. Increase of 60 cents in cigarette tax bringing the total to over $2 per pack. Liquor liter tax increased from $2.44 to $3.77. New tax of $1 on new, replacement vehicle tires. Washington's previous estate tax was ruled unconstitutional; a new estate tax, not tied to the federal tax, was enacted. Repeal of nursing home fee. New electronic reporting system established for real estate excise tax.

2006   Due date for monthly excise taxpayers moved back from 20th to 25th of following month. Sales tax exemption for diesel fuel used on farms and for farm machinery replacement parts. Sales tax deferral/exemption for biotech manufacturing facilities. Sales tax deferral/exemption extended to dairy and seafood processing facilities. Two new local tax increment financing programs established with local sales taxes credited against the state tax. Tax incentives for aerospace and semiconductor industries broadened; expiration dates of various tax incentives extended. B&O tax credits for carbonated beverage syrup taxes paid, for workforce training costs, for contributions to motion picture competitiveness program, and for patient-lifting devices. B&O tax rate for extracting and manufacturing of timber and wood products reduced; but new surtax also levied to finance riparian habitat. Repeal of nursing home fee is advanced.

Local Government Finance

One of the tax areas that has received significant attention in the past three decades is local government. The revenue sources of cities, counties and junior taxing districts are strictly controlled by the Legislature and only specifically authorized taxes can be imposed at the local level. Traditionally, the property tax has been the mainstay of local government, but its dominant role has declined somewhat. In 1970 property taxes accounted for 86.5% of local tax revenues; that percentage declined to 61.5% by 2000.

Picking up the slack has been a variety of local sales taxes and taxes on lodging. The first "hotel/motel" tax was authorized in 1967 (to finance construction of the Kingdome) and the initial general local sales tax was adopted in 1970. There are currently 16 different types of local sales taxes. Some of these are not additional taxes for purchasers, but are credited against the state sales tax, thereby allowing the state to assist in the financing of certain local programs. The current maximum local sales tax rate totals 2.4% in portions of southwestern Snohomish County; in most of King and Pierce counties the local rate totals 2.3%. Thus, the combined state and local sales tax rate is 8.8% or 8.9% in much of the metropolitan area of the state - among the highest in the country.

History of Rate Changes for Selected Taxes

Retail Sales/use Tax

1935	Enacted at 2.0%
1941	Increased to 3.0%
1955	Increased to 3.33%
1959	Increased to 4.0%
1965	Increased to 4.2%
1967	Increased to 4.5%
1976	Increased to 4.6%
1979	Decreased to 4.5%
1981	Increased to 5.5%
1982	Decreased to 5.4%
1983	Increased to 6.5%

B&O Tax - Manufacturing

1935	Enacted at 0.25%
1951	Increased to 0.3%
1955	Increased to 0.4%
1959	Increased to 0.45%
1976	Increased to 0.4664%
1979	Decreased to 0.44%
1982	Increased to 0.458%
1983	Increased to 0.581%
1983	Decreased to 0.484%
1993	Increased to 0.515%
1995	Decreased to 0.506%
1997	Decreased to 0.484%

Cigarette Tax

1935	Enacted at 1¢ per pack
1939	Increased to 2¢
1949	Increased to 4¢
1955	Increased to 5¢
1959	Increased to 6¢
1961	Increased to 7¢
1965	Increased to 11¢
1971	Increased to 16¢
1981	Increased to 20¢
1982	Increased to 20.8¢
1982	Increased to 23¢
1986	Increased to 31¢
1989	Increased to 34¢
1993	Increased to 54¢
1994	Increased to 56.5¢
1995	Increased to 81.5¢
1996	Increased to 82.5¢
2002	Increased to $1.425
2006	Increased to $2.025

Gasoline Tax

1921	Enacted at 1¢ per gallon
1924	Increased to 2¢
1929	Increased to 3¢
1931	Increased to 4¢
1933	Increased to 5¢
1949	Increased to 6.5¢
1961	Increased to 7.5¢
1967	Increased to 9¢
1977	Increased to 11¢
1979	Increased to 12¢
1981	Increased to 13.5¢
1982	Decreased to 12¢
1983	Increased to 16¢
1984	Increased to 18¢
1990	Increased to 22¢
1991	Increased to 23¢
2003	Increased to 28¢
2006	Increased to 37.5 by 2008

NOTE: Includes only several taxes which are easy to compare tax rates (e.g., does not include the state property tax levy or other B&O rate classifications). It includes only the changes in the state tax rate and reflects only the general rates that apply to all firms or all products.

Washington State Department of Revenue, Research Division, April, 2005.